

Arca Investments, a.s.

**Consolidated Financial Statements
for the Year Ended 31 December 2017**

**prepared in accordance with International
Financial Reporting Standards ("IFRS")
as adopted by European Union ("EU")**

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Independent Auditor's Report

To the Shareholders, Supervisory Board and Board of Directors of
Arca Investments, a.s.

Report on the Audit of the Consolidated Financial Statements

Our Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Arca Investments, a.s. and its subsidiaries (together the "Group") as at 31 December 2017, and their financial performance and 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 Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the section Auditor's responsibilities for the audit of the consolidated financial statements. We are independent of the Group in accordance with the Act on Statutory Audit No. 423/2013 Coll. and the Slovak Act on Accounting No. 431/2002, as amended (the "Act on Statutory audit") including Code of Ethics for Auditors, relevant for our audit of consolidated financial statements. We have fulfilled all our other ethical responsibilities in this respect.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibility for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated 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 International Standards on Auditing 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 consolidated financial statements.

As part of our audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report on other requirements of law and regulations

Reporting on Information in the consolidated Annual Report

Management is responsible for the information in the consolidated Annual Report prepared in accordance with the Slovak Act on Accounting No. 431/2002, as amended. However, management did not prepare the consolidated Annual Report until the date of our opinion on the consolidated financial statements.

FS consulting, s.r.o.

FS consulting, s.r.o.
License UDVA No. 342

Jaroslav Kašiak

Dr. Jaroslav Kašiak, CPA
License SKAU No. 923

Bratislava, 10 August 2018

Consolidated Statement of Financial Position

		As at 31 December	
	Note	2017	2016
Assets			
Non-current assets			
Financial assets at fair value through profit or loss	7	372 480	255 003
Property, plant and equipment		2 252	818
Intangible assets		184	195
Other assets		2 724	608
Total non-current assets		377 640	256 624
Current assets			
Financial assets at fair value through profit or loss	7	181 363	147 126
Loan receivables		17 165	18 548
Other assets		17 291	16 859
Advance payments and other receivables		19 123	7 088
Cash and cash equivalents (excluding bank overdrafts)		58 221	10 094
Total current assets		293 163	199 715
TOTAL ASSETS		670 803	456 339
EQUITY			
Equity attributable to owners of the parent			
Share capital		100	100
Other reserves		9 344	8 898
Retained earnings		43 832	34 353
Non-controlling interests		-1 452	591
Total equity		51 824	43 942
LIABILITIES			
Non-current liabilities			
Borrowings	9	193 311	172 251
Other liabilities		1 038	8 025
		194 349	180 276
Current liabilities			
Borrowings	9	406 330	221 487
Other liabilities		13 071	7 964
Trade and other payables		5 229	2 670
		424 630	232 121
Total liabilities		618 979	412 397
TOTAL EQUITY AND LIABILITIES		670 803	456 339

Consolidated Statement of Comprehensive Income

		Year ended 31 December	
	Note	2017	2016
Dividend income		1 463	696
Net gain on financial instruments designated at FVTPL	6	24 050	43 862
Total net income		25 513	44 558
Employee benefit expenses		-1 802	-1 449
Services		-8 665	-5 996
Other losses / gains – net		-758	1 751
Total operating expenses		-11 225	-5 694
Operating gain		14 288	38 864
Interest expense, net	5, 8	-9 569	-12 629
Other income, net		2 754	1 512
Total other loss, net		-6 815	-11 117
Profit before tax		7 473	27 747
Income tax		-185	-408
Profit after tax		7 288	27 339
Other comprehensive income			
Other comprehensive income		446	2 948
Net comprehensive gain		7 734	30 287

The consolidated financial statements were authorized for issue by the Board of Directors on 10 August 2018.



Ing. Rastislav Velič
Chairman of the Board of Directors

Consolidated Statement of Changes in Shareholders' Equity

	Attributable to equity holders of the company					Non-controlling interest	Total
	Share capital	Other reserves	Translation reserve	Retained earnings	Total		
Balance at 1 January 2016	100	7 117	-1 167	7 014	13 064	591	13 655
Profit / (loss) for the period	-	-	-	27 339	27 339	-	27 339
Other comprehensive income	-	-	2 948	-	2 948	-	2 948
Total comprehensive income	-	-	2 948	27 339	30 287	-	30 287
Balance at 31 December 2016	100	7 117	1 781	34 353	43 351	591	43 942
Balance at 1 January 2017	100	7 117	1 781	34 353	43 351	591	43 942
Profit / (loss) for the period	-	-	-	9 414	9 414	-2 126	7 288
Other comprehensive income	-	-	446	-	446	-	446
Total comprehensive income	-	-	446	9 414	9 860	-2 126	7 734
Other movement	-	-	-	65	65	83	148
Balance at 31 December 2017	100	7 117	2 227	43 832	53 276	-1 452	51 824

Consolidated Statement of Cash Flows

	Year ended 31 December	
	2017	2016
Profit before tax	7 473	27 747
Adjustments		
Fair value revaluation	-9 448	-31 121
Exchange (gain)/losses on cash and cash equivalents	-86	-36
Decrease / (increase) in trade and other receivables	-3 280	1 434
Decrease / (increase) in trade and other payables	2 559	-283
Loan receivables – proceeds	14 759	3 875
Loan receivables – providing	-13 376	-6 947
Decrease / (increase) in other assets	-3 834	6 790
Net increase / decrease in tangible and intangible assets	-1 423	57
Income tax	-185	-408
Investing in FVTPL	-151 020	-170 007
Net cash used in operating activities	-157 861	-168 899
Cash flows from financing activities		
Interest repaid on borrowings	-30 472	-23 836
Proceeds from issuance of bonds	76 836	57 904
Repayment of bonds	-16 129	-10 696
Proceeds from bank borrowings	61 243	67 040
Repayment of bank borrowings	-46 465	-51 078
Proceeds from promissory notes	194 967	127 526
Repayment of promissory notes	-37 123	-18 108
Proceeds from other loans	23 785	27 671
Repayment of other loans	-20 740	-12 318
Net cash used in financing activities	205 902	164 105
Net decrease / (increase) in cash and cash equivalents	48 041	-4 794
Cash and cash equivalents at beginning of year	10 094	14 852
Exchange gains / (losses) on cash and cash equivalents	86	36
Cash and cash equivalents at end of period	58 221	10 094

Notes to the Consolidated Financial Statements

1. General information

The consolidated financial statements of Arca Investments, a.s. (the "Company") for the year ended 31 December 2017 were authorised for issue by the Board of Directors of the Company on 10 August 2018. The Company was established as a joint stock company and incorporated in the Commercial Register on 9 December 2005 (Commercial Register of the District Court Bratislava I, Section Sa, Insert No.: 3788/B).

The Company's registered address and registration numbers are:

Arca Investments, a.s.
Plynárenská 7/A
821 09 Bratislava
Slovak Republic
Registration number: 35 975 041

The Company's business is principally conducted through fifteen fully consolidated subsidiaries (the "Subsidiaries"); Arca Capital Slovakia, a.s., Arca Capital Bohemia, a.s., Arca Capital Ltd., Arca Capital (Cyprus) Ltd., ECAR GROUP, a.s., WINNER GROUP, a.s., BIOGAS-HOLDING, s. r. o., ACORD plus spol. s r. o., BIOTEC, s.r.o., BRQ Czech, a.s., Nova Green Finance, a. s., Nova Real Estate Finance, a.s., Silver Point Invest a.s. (Krupa Global Investments, a.s.), Arca Capital Malta Ltd., Arca Capital Finance Group, a.s. The Company and Subsidiaries together constitute the "Group".

The objectives of the Company are to generate significant medium- to long-term capital growth within rigorous risk management framework. The Company aims to deliver these objectives by investing in an investment portfolio of unlisted private company's operating predominately in Energy, Financial services and Real Estate sector. Investments are made to provide financing to help start, develop or transform privately owned companies that demonstrate the potential for significant growth. In addition to providing financing, the Company may provide instructions, industry expertise or other assistance to help companies' growth their business. This comprises investment in companies at various financing stages – seed financing, venture capital, management/leveraged buyouts, mezzanine financing and distressed debt.

The structure of Company's shareholders was at 31 December 2017 as follows:

	Share in registered capital		Voting rights
	Total €	%	%
Ing. Henrich Kiš	9 960	10,0	10,0
Ing. Peter Krištofovič	29 880	30,0	30,0
Ing. Pavol Krúpa	39 840	40,0	40,0
Ing. Rastislav Velič	19 920	20,0	20,0
Total	99 600	100,0	100,0

For change in structure of Company's shareholders after 31 December 2017 refer to note 10. Subsequent events.

The Company's statutory bodies were as follows:

Board of Directors:	31 December 2017	31 December 2016
	Chairman Ing. Pavol Krúpa – Chairman Members Ing. Rastislav Velič	Chairman Ing. Pavol Krúpa – Chairman Ing. Rastislav Velič
Supervisory Board:	31 December 2017	31 December 2016
	Chairman Ing. Juraj Koník – Chairman Members Oto Bachratý Ing. Henrich Kiš	Chairman Ing. Ing. Juraj Koník – Chairman Oto Bachratý Ing. Katarína Cvečková

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated 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

The consolidated financial statements have been prepared as at 31 December 2017 in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). IFRS comprise standards and interpretations approved by the International Accounting Standard Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements have been prepared under historical cost convention except for the Financial Assets and Financial Liabilities that are valued at fair value through profit or loss ("FVTPL").

The Company's financial statements have been prepared on the going concern basis. After review of the current available cash flow projections, including expected timing of investments and acquisitions and financing and given the nature of the Company and its investments, the Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue its operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The preparation of consolidated financial statements in compliance with IFRS as adopted by the EU requires management to make judgements, estimates and assumptions in the process of applying the Group's accounting policies that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the end of reporting period and the reported amounts of revenues and expenses during the year. Actual results may differ from these estimates.

All amounts in the Notes are shown in thousands of Euros ("€"), unless stated otherwise.

2.2 Basis of consolidation

The consolidated financial statements comprise the balance sheet and income statement of the Company and its subsidiaries as at 31 December 2017.

Specifically, the Company controls an investee if and only if the Company has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Company gains control until the date the Company ceases to control the subsidiary.

The Company meets the definition of an Investment Entity under IFRS 10 and consolidates subsidiaries as detailed below.

2.3 Investment entity and consolidation**A) Investment Entity**

The Company has been deemed to meet the definition of an investment entity per IFRS 10 as the following conditions exist:

- the Company has obtained funds for the purpose of providing investors with professional investment management services;
- the Company's business purpose, which was communicated directly to the investors, is investing for capital appreciation and investment income; and
- the investments are measured and evaluated on a fair value basis.

B) Subsidiary

The Company has subsidiaries that provide investment-related services or activities to other parties and in line with the standard it shall consolidate those subsidiaries in accordance with IFRS 10. The following subsidiaries of the Company are consolidated:

	Country of incorporation	% interest held in 2017	% interest held in 2016	Principal activity
Entity				
Arca Capital Slovakia, a.s.	SK	100%	100%	Management company / FV*
Arca Capital Bohemia, a.s.	CZ	100%	100%	Management company
Arca Capital (Cyprus) Ltd.	CYP	99%	99%	Management company
Arca Capital Ltd.	UK	99%	99%	Management company
ECAR GROUP, a.s.	SK	100%	100%	Management company
WINNER GROUP, a.s.	SK	100%	100%	Management company
BIOGAS-HOLDING, s. r. o.	SK	90%	90%	Management company
ACORD plus spol. s r. o.	SK	50%	50%	Management company
BIOTEC, s. r. o.	SK	25,5%	25,5%	Management company
Nova Green Finance, a. s.	SK	100%	100%	FV*
BRQ Czech, a.s.	CZ	100%	100%	Management company / FV*
Arca Capital Finance Group, a.s.	SK	100%	100%	Management company
Nova Real Estate Finance, a. s.	SK	100%	n/a	FV*
Arca Capital Malta Ltd.	MLT	100%	n/a	Management company
Silver Point Invest a.s.	CZ	100%	n/a	Management company

* Funding vehicle

Arca Investments, a.s.

(All amounts in Euro thousands unless otherwise stated)

The Company also holds subsidiaries that are determined to be unconsolidated subsidiaries. Unconsolidated subsidiaries are measured at fair value through profit or loss. The following subsidiaries of the Company are measured at fair value through profit and loss and we are showing the Company percentage holding:

	Country of incorporation	% interest held in 2017	% interest held in 2016	Principal activity
Subsidiaries				
ACS Kominárska, s.r.o.	SK	100%	100%	Real estate
ACS 2, s.r.o.	SK	100%	100%	Real estate
ACS 3, s.r.o.	SK	100%	100%	Real estate
ACS 4, s.r.o.	SK	100%	100%	Real estate
ACS 5, s.r.o.	SK	100%	0%	Real estate
AGROSERVIS-SLUŽBY, s.r.o.	SK	70%	74%	Green energy
ARCA CAPITAL Slowakei				
Beteiligungs GmbH	AT	100%	100%	Green energy
Arca Capital Ukraine	UA	100%	100%	Real estate
Arca Industry Ukraine, a. s.	CZ	100%	100%	Real estate
Arca Realty	UA	100%	100%	Real estate
Artesis Europe Limited	CY	66%	66%	Personal leasing
Auto Lamač spol. s r. o.	SK	51%	51%	Car dealership
AXONADE, s.r.o.	SK	100%	100%	Real estate
BGQ Czech a. s.	CZ	100%	100%	Real estate
Billing j.s.a.	SK	100%	0%	Private equity
BIOPLYN BIEROVCE 2 s. r. o.	SK	13%	13%	Green energy
Bioplyn Cetín, s.r.o.	SK	36%	36%	Green energy
Bioplyn Hont, s.r.o.	SK	45%	45%	Green energy
Bioplyn Horovce, s.r.o.	SK	48%	48%	Green energy
Bioplyn Ladzany, s.r.o.	SK	50%	50%	Green energy
Blackside, a.s.	SK	51%	51%	Debt recovery
BLUESIDE,a.s.	SK	100%	100%	Back office for Professional financial advisers
BLUESIDE, a.s.	CZ	100%	0%	Private equity
CARD - NET, a. s.	SK	90%	90%	IT
CES ePlatby a.s.	CZ	55%	55%	IT
CNH Czech s.r.o.	CZ	100%	0%	Real estate
Delia Potraviny, s.r.o.	SK	80%	0%	Private equity
DELUVIS s. r. o.	SK	51%	51%	Professional financial advisers
EFIT Bohemia, a. s.	CZ	100%	100%	Real estate
FG Financial Group, a.s.	CZ	75%	75%	Professional financial advisers
FG Financial Group - SK, a.s.	SK	100%	100%	Professional financial advisers
GAINER, s. r. o.	SK	100%	100%	Real estate
GOLDSIDE Asset Management, a.s.	SK	100%	0%	Private equity
Lexus, s.r.o.	SK	68%	72%	Green energy
LIGHTPARK, s.r.o.	SK	67%	67%	Real estate
NETFINANCE spol. s r.o.	CZ	100%	0%	Private equity
NetSide Europe a. s.	CZ	55%	100%	Real estate
NFA Holding, a. s.	CZ	100%	100%	Real estate
Pharma Services, s. r. o.	SK	100%	100%	Private equity
PIELD Invest, s. r. o.	SK	90%	90%	Real estate
Platobná agentúra j.s.a.	SK	100%	0%	Private equity
Pollenza, s.r.o.	SK	71%	71%	Financial services
Pozitive energy, a.s.	CZ	100%	0%	Green energy
Potraviny Delia, a.s.	CZ	100%	0%	Private equity
Riverland, s. r. o.	SK	49%	100%	Real estate
ROSLYN, a.s.	SK	30%	30%	Real estate
Silverside a.s.	SK	100%	100%	Financial services
Silverside CZ, s.r.o.	CZ	100%	0%	Private equity
SOMO spol. s r. o.	SK	100%	100%	Hospitality company
Solar Ketron, s.r.o.	SK	68%	72%	Green energy
TNO Czech, s.r.o.	CZ	100%	0%	Real estate
TWINLOGY, s. r.o.	SK	100%	100%	Green energy
VIPAPP, a. s.	CZ	100%	100%	Real estate
VIPAPP j.s.a.	SK	100%	0%	Private equity
YVEX, s.r.o.	SK	51%	51%	Hospitality
Železná studnička, a.s.	SK	100%	100%	Real estate

2.4 Foreign currency translation

(a) Functional and presentation currency

The primary activity of the Company is to invest in portfolio of unlisted debt and equity securities of unlisted private companies operating predominately in the Europe. The performance of the Company is measured and reported to investors in Euros. 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 Euros, which is also the Company's functional currency.

The presentation currency of the Group is the same as the functional currency of the Group.

(b) Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the balance sheet 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 and losses on cash and cash equivalents'.

2.5 Financial assets and financial liabilities at fair value through profit or loss

(a) Classifications

The Group classifies its investments in debt and equity securities, loans, and derivatives, as financial assets or financial liabilities at fair value through profit or loss.

This category has two sub-categories: financial assets or financial liabilities held for trading; and those designated at fair value through profit or loss at inception.

(i) Financial assets and liabilities held for trading

A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

(ii) Financial assets and liabilities designated at fair value through profit or loss at inception

Financial assets and financial liabilities designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Group's documented investment strategy.

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

(b) Recognition, derecognition and measurement

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

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

Subsequent to initial recognition, all financial assets and financial liabilities 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 or financial liabilities 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 and liabilities 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 recognized in the statement of comprehensive income within dividend income when the Group's right to receive payments is established. Interest on debt securities and loans at fair value through profit or loss is recognized in the statement of comprehensive income within interest income based on the effective interest rate.

(c) 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 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 reporting date. The Group utilizes the last traded market price for both financial assets and financial liabilities 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 up to midnight in a particular stock exchange on the year end date, 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 Group's valuation time that materially affects the integrity of the closing prices for any security, instrument, currency or securities affected by that event so that they cannot be considered 'readily available' market quotations.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models 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.

(d) Transfers between levels of the fair value hierarchy

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

2.6 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 recognized amounts and there is an intention to settle on a net basis or realize 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.

2.7 Loan receivables

Loan other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for impairment.

As at December 31 December 2017 and 2016, the carrying amounts of loan receivables approximate their fair values.

2.8 Accrued income and other receivables

Accrued income and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for impairment.

As at December 31 December 2017 and 2016, the carrying amounts of other receivables approximate their fair values.

2.9 Cash and cash equivalents

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

2.10 Borrowings

Borrowings are recognized at fair value net of transaction costs incurred. They are subsequently valued at amortized cost; any difference is recognized in the statement of comprehensive income over the period of the borrowing using the effective interest method.

As at December 31 December 2017 and 2016, the carrying amounts of borrowings approximate their fair values.

2.11 Accrued expenses and other payables

Accrued expenses and other payables are recognized initially at fair value and subsequently stated at amortized cost using the effective interest method.

As at December 31 December 2017 and 2016, the carrying amounts of accrued expenses and other payables approximate their fair values.

2.12 Share capital

The share capital of the Company at 31 December 2017 amounts to EUR 99 600 consisting of 30 issued and fully paid registered shares with a par value of EUR 3 320 each. Each share entitles the holder to participate in any distribution of income and capital.

2.13 Interest income and finance costs

Interest income and finance costs as well as other income and expenses are recognized in the statement of comprehensive income on a time-proportion basis.

2.14 Dividends

Dividends are recognized in the statement of comprehensive income when the Group's right to receive payments is established.

2.15 Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Income tax expense comprises current and deferred tax expense. Current and deferred tax expense are recognized in the statement of comprehensive income, except when they relate to items recognized directly to equity, in which case the tax is also recognized directly in equity. The Management of the Group periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Other taxes, other than income tax are recognized in operating expenses.

2.16 Related parties

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or to exercise significant influence over the other party in making financial and operating decisions.

3. Financial risk management

3.1 Financial risk factors

The objective of Company is to achieve medium to long-term capital growth through investing in a selection of unlisted private companies operating mainly in Central Europe.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and other price risk), credit risk and liquidity risk.

3.1.1 Market risk

(a) Price risk

The Group's investments are susceptible to market price risk arising from uncertainties about future values of those instruments. To manage the market price risk, the Group reviews the performance of the portfolio companies on a quarterly basis and is in regular contact with the management of the portfolio companies for business and operational matters. Results of these reviews are reported quarterly.

As at 31 December 2017, the fair value of financial assets through profit or loss at inception exposed to price risk were as follows:

	Equity securities	Funds	Debt securities	Transferred claims
Green energy	21 181	-	64 627	-
Hospitality	13 483	-	32 667	-
Mineral water	6 605	-	1 924	-
Personal leasing	32 256	-	11 053	-
Private equity	20 024	9 901	123 134	13 524
Real estate	11 415	-	59 939	-
	104 964	9 901	293 344	13 524

As at 31 December 2017, the fair value of financial assets held for trading exposed to price risk were as follow:

Country	FV 2017
Czech Republic	59 408
Great Britain	44
Ireland	1 036
Lichtenstein	2 000
Slovak Republic	44 980
United States of America	23 850
British Virgin Islands	792
	132 110

As at 31 December 2016, the fair value of financial assets through profit or loss at inception exposed to price risk were as follows:

	Equity securities	Funds	Debt securities	Transferred claims
Green energy	17 089	-	67 196	-
Hospitality	13 194	-	23 987	-
Mineral water	11 225	-	7 391	-
Personal leasing	19 236	-	5 854	-
Private equity	3 016	8 369	52 576	13 825
Real estate	9 486	-	57 141	-
	73 246	8 369	214 145	13 825

As at 31 December 2016, the fair value of financial assets held for trading exposed to price risk were as follow:

Country	FV 2016
Slovak Republic	18 758
Czech Republic	45 290
Austria	27 238
Great Britain	294
Slovenia	964
	92 544

As at 31 December 2017 and 31 December 2016, the Group's market risk is affected by changes in the level or volatility of market rates, such as foreign exchange rates and interest rates, or prices, such as equity prices. Movements in foreign currency rates and interest rates are covered in paragraph (b) and (c) respectively.

(b) Foreign exchange risk

The Group holds assets (both monetary and non-monetary) denominated in currencies other than the functional currency (the Euro). It is therefore exposed to currency risk, as the value of the financial instruments denominated in other currencies will fluctuate due to the changes in exchange rates. In accordance with the Group's policy, the management monitors the Group's currency position, including monetary and non-monetary items, on a quarterly basis.

Foreign currency risk, as defined in IFRS 7 Financial instruments: Disclosures, arises as the value of recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. IFRS 7 Financial instruments: Disclosures considers the foreign exchange exposure relating to nonmonetary assets and liabilities to be a component of market price risk not foreign currency risk. However, the management monitors the exposure on all foreign currency-denominated assets and liabilities. The table below provides the analysis of foreign currency exposure between monetary and non-monetary items in order to meet the requirements of IFRS 7 Financial instruments: Disclosures.

The table below summarizes the Group's assets and liabilities, monetary and nonmonetary, which are denominated in a currency other than the Euro.

Amounts presented in equivalent amounts of Euro thousands with original currency as stated as of 31 Dec 2017:

	CZK	USD	HUF	GBP	CHF	PLN
Assets						
Monetary assets	86 316	32 528	4 468	254	-	-
Non-monetary assets	24 167	24 100	178	1 828	-	-
Liabilities						
Monetary liabilities	320 596	31 707	-	1 464	433	322
Non-monetary liabilities	-	-	-	-	-	-
Net FX position	-210 113	24 921	4 646	618	-433	-322

Amounts presented in equivalent amounts of Euro thousands with original currency as stated as of 31 Dec 2016:

	CZK	USD	HUF	GBP	CHF	PLN
Assets						
Monetary assets	96 495	748	178	294	-	-
Non-monetary assets	42 822	54 339	1 353	-	-	-
Liabilities						
Monetary liabilities	182 172	352	-	-	472	-
Non-monetary liabilities	-	-	-	-	-	-
Net FX position	-42 855	54 735	1 531	294	-472	0

Arca Investments, a.s.

(All amounts in Euro thousands unless otherwise stated)

(c) Interest rate risk

The Group is subject to cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates.

The Table below summarizes the Group's exposure to interest rate risks. It includes Group's assets and liabilities at fair values, categorized by the earlier of contractual re-pricing or maturity dates. All debt instruments included in the category financial assets at fair value through profit or loss and all issued bonds and promissory notes have fixed interest rates. All loans accepted from banks have floating interest rates.

As at 31 December 2017

	Less than 1 year	Between 1 and 3 years	More than 3 years	No interest bearing	Total
Assets					
Property, plant, equipment	-	-	-	2 252	2 252
Intangible assets	-	-	-	184	184
FA at FVTPL – trading					
Equity securities	-	-	-	44 182	44 182
Funds	-	-	-	42 939	42 939
Debts securities	44 989	-	-	-	44 989
FA at FVTPL – at inception					
Equity securities	-	-	-	104 964	104 964
Funds	-	-	-	9 901	9 901
Loans	39 352	181 146	72 846	-	293 344
Transferred claims	-	6 923	6 600	-	13 524
Loan receivables	17 165	-	-	-	17 165
Advance payments and other receivables	19 123	-	-	-	19 123
Other assets	-	-	-	20 015	20 015
Cash at bank	58 221	-	-	-	58 221
Total assets	178 850	188 069	79 446	224 437	670 803
Liabilities					
Bonds	19 232	35 520	85 073	-	139 825
Promissory notes	311 456	-	-	-	311 456
Other loans	12 498	55 864	-	-	68 362
Loans from related parties	1 748	6 613	-	-	8 361
Bank loans	61 397	10 240	-	-	71 637
Trade and other payables	5 229	-	-	-	5 229
Other liabilities	13 071	1 038	-	-	14 109
Shareholders' equity	-	-	-	51 824	51 824
Total liabilities & Equity	424 631	109 275	85 073	51 824	670 803

Arca Investments, a.s.

(All amounts in Euro thousands unless otherwise stated)

As at 31 December 2016

	Less than 1 year	Between 1 and 3 years	More than 3 years	No interest bearing	Total
Assets					
Property, plant, equipment	-	-	-	818	818
Intangible assets	-	-	-	195	195
FA at FVTPL – trading					
Equity securities	-	-	-	36 098	36 098
Funds	-	-	-	37 414	37 414
Debts securities	19 032	-	-	-	19 032
FA at FVTPL – at inception					
Equity securities	-	-	-	73 246	73 246
Funds	-	-	-	8 369	8 369
Loans	46 214	59 462	108 469	-	214 145
Transferred claims	-	10 216	3 609	-	13 825
Loan receivables	18 548	-	-	-	18 548
Advance payments and other receivables	7 088	-	-	-	7 088
Other assets	-	-	-	17 467	17 467
Cash at bank	10 094	-	-	-	10 094
Total assets	100 976	69 678	112 078	173 607	456 339
	Less than 1 year	Between 1 and 3 years	More than 3 years	No interest bearing	Total
Liabilities					
Bonds	22 690	45 039	17 950	-	85 679
Promissory notes	170 261	-	-	-	170 261
Other loans	-	64 373	15	-	64 388
Loans from related parties	11 321	-	-	-	11 321
Bank loans	17 215	30 364	14 510	-	62 089
Trade and other payables	2 670	-	-	-	2 670
Other liabilities	15 989	-	-	-	15 989
Shareholders' equity	-	-	-	43 942	43 942
Total liabilities & Equity	240 146	139 776	32 475	43 942	456 339

The Group has direct exposure to interest rate changes on the valuation and cash flows of its interest bearing assets and liabilities. However, it may also be indirectly affected by the impact of interest rate changes on the earnings of certain companies in which the Group invests, and the impact on the valuation that use interest rates as an input in the valuation model, such as the discounted cash flow models used in the valuation of unlisted investments. Therefore, the above sensitivity analysis may not indicate the total effect on the Group's equity attributable to the shareholders of future movements in interest rates.

3.1.2 Credit risk

The Group takes on exposure to credit risk, which is the risk that one party will cause a financial loss for the other party by failing to discharge an obligation. The Group is exposed to the risk of non-payment of debt instrument, other receivable balances or the interest due on loans given to portfolio companies.

All debt investments represent private debt investments executed in accordance with the investment objectives of the Group.

The Group assesses all counterparties for credit risk before contracting with them. The Group's maximum exposure to credit risk is detailed in the table below. The Group does not include any collateral or other credit risk enhancers, which may reduce the Group's exposures.

As at 31 December 2017 and 31 December 2016, the maximum exposure to credit risk is the carrying amounts of the respective financial assets set out below:

	2017	2016
Debt investments	351 857	247 002
Loan receivables	17 165	18 548
Trade and other receivables	10 368	7 088
Cash and cash equivalents	58 221	10 094
Other assets (monetary)	20 015	17 467
Total	457 626	300 199

The Group provides loans to private companies, which are represented as debt instruments. No collateral is received from the underlying companies. The credit quality of these investments is based on the financial performance of the individual portfolio company. For those assets that are not past due, it is believed that the risk of default is low, and the capital repayments and interest payments will be made in accordance with the agreed terms and conditions. No terms or conditions have been renegotiated during the reporting period (2016: nil).

As at 31 December 2017, the financial assets held by the Group are not past due or impaired (2016: nil).

3.1.3 Liquidity risk

Liquidity risk is the risk that the Group 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 Group may periodically invest in equity, debt securities, loans at fair value, funds traded over the counter or that are not traded in an organized market and may be illiquid. As a result, the Group may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value in order to meet significant unplanned liquidity requirements, or be able to respond to specific events such as deterioration in creditworthiness of any counterparty. As at 31 December 2017, the Group held 411 832 EUR in investments that is considered illiquid (2016: 301 216 EUR)

The Group manages its liquidity risk by maintaining cash levels to fund short-term operating expenses.

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(All amounts in Euro thousands unless otherwise stated)

The following table illustrate the expected liquidity of assets held as at 31 December 2017:

	Less than 1 year	Between 1 and 3 years	More than 3 years	Total
Property, plant and equipment	-	-	2 252	2 252
Intangible assets	-	-	184	184
Other assets	-	-	2 724	2 724
Financial assets held for trading				
Equity securities	44 182	-	-	44 182
Funds	42 939	-	-	42 939
Debts securities	44 989	-	-	44 989
Designated at fair value through profit or loss at inception				
Equity securities	-	-	104 964	104 964
Funds	9 901	-	-	9 901
Loans	39 352	181 146	72 846	293 344
Transferred claims	-	6 923	6 600	13 524
Loan receivables	17 165	-	-	17 165
Advance payments and other receivables	19 123	-	-	19 123
Other assets	17 291	-	-	17 291
Cash at bank	58 221	-	-	58 221
Total assets	293 163	188 069	189 571	670 803

The amounts in table are the contractual undiscounted cash flows.

The following table illustrate the expected liquidity of assets held as at 31 December 2016:

	Less than 1 year	Between 1 and 3 years	More than 3 years	Total
Property, plant and equipment	-	-	818	818
Intangible assets	-	-	195	195
Financial assets held for trading				
Equity securities	36 098	-	-	36 098
Funds	37 414	-	-	37 414
Debts securities	19 032	-	-	19 032
Designated at fair value through profit or loss at inception				
Equity securities	-	-	73 246	73 246
Funds	8 369	-	-	8 369
Loans	46 214	59 462	108 469	214 145
Transferred claims	-	-	13 825	13 825
Loan receivables	18 548	-	-	18 548
Advance payments and other receivables	7 088	-	-	7 088
Other assets	16 859	-	608	17 467
Cash at bank	10 094	-	-	10 094
Total assets	199 715	59 462	197 161	456 339

The amounts in table are the contractual undiscounted cash flows.

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(All amounts in Euro thousands unless otherwise stated)

The table below analyses the Groups' financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. At present the Group has no immediate plans to exit any of its positions in its portfolio of investments.

As at 31 December 2017

	Less than 1 year	Between 1 and 3 years	More than 3 years	Total
Liabilities				
Bonds	19 232	35 520	85 073	139 825
Promissory notes	311 456	-	-	311 456
Other loans	12 498	55 864	-	68 362
Loans from related parties	1 748	6 613	-	8 361
Bank loans	61 397	10 240	-	71 637
Other liabilities	13 071	1 038	-	14 109
Trade and other payables	5 229	-	-	5 229
Shareholders' equity	-	-	51 824	51 824
Total liabilities & Equity	424 631	109 275	136 897	670 803

As at 31 December 2016

	Less than 1 year	Between 1 and 3 years	More than 3 years	Total
Liabilities				
Bonds	22 690	45 039	17 950	85 679
Promissory notes	170 261	-	-	170 261
Other loans	-	64 373	15	64 388
Loans from related parties	11 321	-	-	11 321
Bank loans	17 215	30 364	14 510	62 089
Other liabilities	7 964	8 025	-	15 989
Trade and other payables	2 670	-	-	2 670
Shareholders' equity	-	-	43 942	43 942
Total liabilities & Equity	232 121	147 801	76 417	456 339

3.2 Capital risk management

The capital of the Group is represented by the equity attributable to the shareholders. The Group's objective when managing the capital is to safeguard the ability to continue as going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Group.

3.3 Fair value estimation

The Group is required to classify, for disclosure purposes, fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurement. 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 Group 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 that have been applied in valuing the respective asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Group. The Group 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.

The following table analyses within the fair value hierarchy the Group's financial assets (by class) measured at fair value as at 31 December 2017.

All fair value measurements disclosed are recurring fair value measurements.

	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
Equity securities	44 182		-	44 182
Funds	-	42 939	-	42 939
Debts securities	44 989	-	-	44 989
Designated at fair value through profit or loss at inception				
Equity securities	-	-	104 964	104 964
Funds	-	9 901	-	9 901
Loans	-	-	293 344	293 344
Transferred claims	-	-	13 524	13 524
	89 171	52 840	411 832	553 843

The following table analyses within the fair value hierarchy the Group's financial assets (by class) measured at fair value at 31 December 2016:

	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
Equity securities	36 098		-	36 098
Funds	-	37 414	-	37 414
Debts securities	19 032	-	-	19 032
Designated at fair value through profit or loss at inception				
Equity securities	-	-	73 246	73 246
Funds	-	8 369	-	8 369
Loans	-	-	214 145	214 145
Transferred claims	-	-	13 825	13 825
	55 130	45 783	301 216	402 129

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities. The Group does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2.

Investments classified within Level 3 consist of private equity and private debt positions. The main inputs into Group's valuation models for these private equity and debt instruments include:

- For private equity valuation models – EBITDA multiples (based on budgeted EBITDA or most recent EBITDA achieved on rolling 12 months basis of the issuer and equivalent corresponding EBITDA multiples of comparable listed companies), quality of earnings assessment, assessment of 3rd party external debt, marketability discount, cost of capital adjustments and probabilities of defaults. The group also considers the original transaction prices, recent transactions in the same or similar instruments and completed third-party transactions in comparable companies' instruments and adjusts the model as deemed necessary.
- For private debt valuation models – discount rates, market risk premium adjustments to the discount rate, cost of capital and probabilities of default and cash flow forecasts. The Group also considers original transaction price, recent transactions in the same or similar instruments and completed third-party transactions in comparable instruments and adjusts the model as deemed necessary.

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(All amounts in Euro thousands unless otherwise stated)

The following table summarizes the quantitative inputs and assumptions used for items categorized in Level 3 of fair value hierarchy as of December 31, 2017

	Fair value at 31 Dec 2017	Valuation Techniques	Unobservable Inputs	Ranges
Equity securities				
- Real estate	11 415	Net Rental Yield Calculation Discounted cash flows	Yield Discount Rate	5% - 7% 5% - 10%
- Green energy	21 181	Discounted cash flows	Discount Rate	7% - 10 %
- Personal leasing	32 256	Discounted cash flows	Discount Rate	5% - 10%
- Hospitality	13 483	Third Party Pricing Discounted cash flows	N/A Discount Rate	N/A 5% - 10%
- Mineral waters	6 605	Market Comparable Companies Discounted cash flows	EBITDA Multiple Discount Rate	6 - 9 5% - 10%
- Private equity	20 024	Discounted Cash Flows	Discount Rate	5% - 10%
Total Equity Securities	<u>104 964</u>			
Loans at fair value				
- Real estate	59 939	Discounted cash flows	Discount Rate	5% - 10%
- Green energy	64 627	Discounted cash flows	Discount Rate	5% - 10 %
- Personal leasing	11 053	Discounted cash flows	Discount Rate	5% - 10%
- Hospitality	32 667	Discounted cash flows	Discount Rate	5% - 10%
- Mineral waters	1 924	Discounted cash flows	Discount Rate	5% - 10%
- Private equity	123 134	Discounted cash flows	Discount Rate	5% - 10%
Total Loans at fair value	<u>293 344</u>			
Transferred claims				
- Private equity	13 524	Discounted cash flows	Discount Rate	5% - 10%
Total Transferred claims	<u>13 524</u>			

Arca Investments, a.s.

(All amounts in Euro thousands unless otherwise stated)

The following table summarizes the quantitative inputs and assumptions used for items categorized in Level 3 of fair value hierarchy as of December 31, 2016

	Fair value at 31 Dec 2016	Valuation Techniques	Unobservable Inputs	Ranges
Equity securities				
- Real estate	9 486	Net Rental Yield Calculation Discounted cash flows	Yield Discount Rate	5% - 7% 5% - 10%
- Green energy	17 089	Discounted cash flows	Discount Rate	7% - 10 %
- Personal leasing	19 236	Discounted cash flows Market Comparable Companies	Discount Rate EBITDA Multiple	5% - 10% 6
- Hospitality	13 194	Third Party Pricing Discounted cash flows	N/A Discount Rate	N/A 5% - 10%
- Mineral waters	11 225	Market Comparable Companies Discounted cash flows	EBITDA Multiple Discount Rate	6 - 9 5% - 10%
- Private equity	3 016	Discounted Cash Flows	Discount Rate	5% - 10%
Total Equity Securities	<u>73 246</u>			
Loans at fair value				
- Real estate	57 141	Discounted cash flows	Discount Rate	5% - 10%
- Green energy	67 196	Discounted cash flows	Discount Rate	5% - 10 %
- Personal leasing	5 854	Discounted cash flows	Discount Rate	5% - 10%
- Hospitality	23 987	Discounted cash flows	Discount Rate	5% - 10%
- Mineral waters	7 391	Discounted cash flows	Discount Rate	5% - 10%
- Private equity	52 576	Discounted cash flows	Discount Rate	5% - 10%
Total Loans at fair value	<u>214 145</u>			
Transferred claims				
- Private equity	13 825	Discounted cash flows	Discount Rate	5% - 10%
Total Transferred claims	<u>13 825</u>			

There were no transfers between levels for the year ended 31 December 2017 and 31 December 2016.

Transfers are deemed to have occurred between the levels when the underlying information or price used to value the asset or liability has become more or less dependent on observable market data, as set out before in distinguishing between the Level 1, Level 2 and Level 3 fair value hierarchy of the Group.

4. Critical accounting estimates and judgements

4.1 Critical accounting estimates and judgements

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities in the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.2 Fair value of investments not quoted in an active market

The fair values of securities that are not quoted in an active market are determined by using valuation techniques, primarily earnings multiples, discounted cash flows and recent comparable transactions. The models used to determine fair values are validated and periodically reviewed by the Group. The inputs in the earnings multiples models include observable data, such as earnings multiples of comparable companies to the relevant portfolio company, and unobservable data, such as forecast earnings for the portfolio company. In discounted cash flow models, unobservable inputs are the projected cash flows of the relevant portfolio company and the risk premium for liquidity and credit risk that are incorporated into the discount rate. However, the discount rates used for valuing equity securities are determined based on historic equity returns for other entities operating in the same industry for which market returns are observable. Management uses models to adjust the observed equity returns to reflect the actual debt/equity financing structure of the valued equity investment.

Models are calibrated by back-testing to actual results/exit prices achieved to ensure that outputs are reliable.

4.3 Functional currency

The Group considers the Euro to be the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The Euro is the currency in which the Group 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 Group is compared to other European private equity funds.

4.4 Investment entity status

In determining the Company's status as an investment entity in accordance with IFRS 10, the Company considered the following:

a) The Company has multiple investors and co-investors. The co-investors are at the level of individual investments and not at level of Company, however, they indirectly provide funds through Arca Investments' subsidiaries and co-invest directly together with Company in specific projects. As such, Company obtains from co-investors and these investors are exposed to variable returns from particular investments.

The Company, directly or through certain subsidiaries, provides investment related services (e.g. managing risks, treasury and liquidity) and strategic advice to its investees. If needed the Company provides also financial support to the investee (e.g. a loan). The provision of investment-related services, either directly or through a subsidiary, is consistent with the definition of an investment entity as they are undertaken to maximize the investment return (capital appreciation and investment income from investees);

b) The Company's aim is to identify investment opportunities, invest solely or together with co-investors, enhance the value of investment and earn return on exit from the investment. The Company does not plan to hold its investments indefinitely; it holds them for limited period (usually 3-5 years); and

c) The Company evaluates its private equity investments' performance on a fair value basis, in accordance with the policies set out in these financial statements.

Although the Company met all three defining criteria, the Company's management has also assessed the business purpose of the Company, the investment strategies for the private equity investments, the nature of any earnings from the private equity investments and the fair value models. The Company's management made this assessment in order to determine whether any additional areas of judgement exist with respect to the typical characteristics of an investment entity versus those of the corporate entity.

5. Interest income

The following table presents the interest income for the periods:

	2017	2016
Cash and cash equivalents	1	-
Debt securities in fair value through profit or loss	56	111
Loans in fair value through profit or loss	16 324	9 612
Loan receivables	4 522	1 483
Total interest income	20 903	11 206

6. Net gain on financial instruments

The following table presents the realized and net change in unrealized gains/losses on financial assets at fair value through profit or loss held by Group and a reconciliation to Other net changes in fair value of financial assets through profit or loss in the Consolidated statement of comprehensive income:

	2017	2016
Other net changes in fair value on assets held for trading	8 748	15 777
Other net changes in FV on assets designated at FVTPL at inception.	15 302	28 085
Total gains	24 050	43 862
	2017	2016
Realized net gains on investments	14 464	36 395
Unrealized net gains on investments	9 586	7 467
Total net gains	24 050	43 862

7. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss consist of the following:

	2017	2016
Financial assets held for trading		
Equity securities	44 182	36 098
Funds	42 939	37 414
Debt securities	44 989	19 032
	132 110	92 544
Designated at fair value through profit or loss at inception		
Equity securities	104 964	73 246
Funds	9 901	8 369
Loans	293 344	214 145
Transferred claims	13 524	13 825
	421 733	309 585
Total financial assets at fair value through profit or loss	553 843	402 129

8. Interest expense

The following table presents the interest expense for the periods:

	2017	2016
Bonds	6 857	4 705
Other loans	3 724	2 998
Promissory notes	14 885	12 228
Bank borrowings	4 338	1 029
Loans from related parties	668	2 874
Total interest expense	30 472	23 835

9. Borrowings

The Group's borrowing facilities consist of the following:

	2017	2016
Non-current		
Bank borrowings	10 240	44 874
Bonds (a)	120 593	62 989
Loans from related parties	6 613	-
Other loans	55 864	64 388
	193 311	172 251
Current		
Bonds (a)	19 232	22 690
Other loans	12 498	-
Bank borrowings	61 397	17 215
Promissory notes	311 456	170 261
Loans from related parties	1 748	11 321
	406 330	221 487
Total borrowings	599 641	393 738

The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amount		Fair Value	
	2017	2016	2017	2016
Bank borrowings	71 637	62 089	71 637	62 089
Bonds	139 825	85 678	139 825	85 678
Loans from related parties	8 361	11 321	8 361	11 321
Other loans	68 362	64 388	68 362	64 388
Promissory notes	311 456	170 261	311 456	170 261
Total borrowings	599 641	393 738	599 641	393 738

Arca Investments, a.s.

(All amounts in Euro thousands unless otherwise stated)

(a) Bonds

	2017	2016
SK4120010927, Arca Capital Slovakia, 7% 12aug2020, EUR	26 184	26 184
SK4210000655, Arca Capital Slovakia, 8.5% 1jun2017, EUR	-	12 073
SK4120011925, NGF EUR 2026 I, 5.5%, 27jul2026, EUR	15 351	11 519
SK4120008855, Arca Capital Slovakia, 8.5% 13nov2017, EUR	-	10 617
SK4210000473, Arca Capital Slovakia, 9.4% 31dec2017, EUR	9 839	9 823
CZ0003515603, BRQ Czech 2017-2019, 8.5%, 27dec2019, EUR	9 799	9 032
SK4120011933, NGF EUR 2021 I, 5.00%, 27jul2021, EUR	15 319	4 309
SK4120011917, NGF CZK 2021 I, 5.00%, 27jul2021, CZK	9 599	2 121
CZ0003517534, Arca Capital Bohemia 2017-2019, 5%, 6Nov2019, CZK	1 027	-
SK4210000960, Arca Capital Slovakia, 8.5%, 27Jun2018, EUR	6 824	-
SK4120013335, NREF 2027 II, 5.5%, 29Sep2027, EUR	15 210	-
SK4120013079, NREF 2027 I, 0%, 7Jul2027, EUR	23 024	-
SK4120013327, NREF CZK 2027 I, 0%, 29Sep2027, CZK	7 651	-
Total Bonds	139 825	85 678

The Group issued 7% bonds (ISIN SK4120010927) at par value of EUR 25 500 ths. on 12 August 2015. The bonds mature at 12 August 2020 at their nominal value.

The Group issued 8.5% bonds (ISIN SK4210000655) at par value of EUR 11 500 ths. on 12 June 2016. The bonds matured at 1 June 2017 at their nominal value.

The Group issued 5.5% bonds (ISIN SK4120011925) at par value of EUR 15 000 ths. on 27 July 2016. The bonds mature at 27 July 2026 at their nominal value.

The Group issued 8.5% bonds (ISIN SK4120008855) at par value of EUR 10 500 ths. on 13 November 2012. The bonds mature at 13 November 2017 at their nominal value.

The Group issued 9.4% bonds (ISIN SK4210000473) at par value of EUR 9 000 ths. on 12 January 2016. The bonds mature at 2 January 2018 at their nominal value.

The Group issued 8.5% bonds (ISIN CZ0003515603) at par value of EUR 9 002 ths. on 25 December 2016. The bonds mature at 27 December 2019 at their nominal value.

The Group issued 5% bonds (ISIN SK4120011933) at par value of EUR 15 000 ths. on 27 July 2016. The bonds mature at 27 July 2021 at their nominal value.

The Group issued 5% bonds (ISIN SK4120011917) at par value of EUR 9 399 ths. on 27 July 2016. The bonds mature at 27 July 2021 at their nominal value.

The Group issued 5% bonds (ISIN CZ0003517534) at par value of CZK 26 000 ths. on 6 November 2017. The bonds mature at 6 November 2019 at their nominal value.

The Group issued 8.5% bonds (ISIN SK4210000960) at par value of EUR 6 500 ths. on 27 June 2017. The bonds mature at 27 June 2018 at their nominal value.

The Group issued 5.5% bonds (ISIN SK4120013335) at par value of EUR 15 000 ths. on 29 September 2017. The bonds mature at 29 September 2027 at their nominal value.

The Group issued zero coupon bonds (ISIN SK4120013079) at par value of EUR 35 000 ths. on 7 July 2017. The bonds mature at 7 July 2027.

The Group issued zero coupon bonds (ISIN SK4120013327) at par value of CZK 300 000 ths. on 29 September 2017. The bonds mature at 29 September 2027.

10. Subsequent events

At the General assembly of shareholders held on 19 March 2018, Mr. Pavol Krúpa resigned from the position of Chairman of the Board of Directors, Mr. Rastislav Velič was appointed as Chairman of the Board of Directors, and Mr. Juraj Dvořák and Mr. Peter Brožek were appointed as members of the Board of Directors of Arca Investments, a.s. Personal changes in the Board of directors of Arca Investments, a.s. were coherently relating to changes in the Articles of Association in the relevant section concerning the authorization of the members of the Board of Directors to act on behalf of the Arca Investments, a.s. Other adopted changes in Articles of

Arca Investments, a.s.

(All amounts in Euro thousands unless otherwise stated)

Association related to modification of the quorum for adopting valid resolution at the General assembly of shareholders.

The share capital of the Company amounts to EUR 99 600 in total, while since 21 March 2018 the share capital composition changed to 120 issued and fully paid registered shares with a par value of EUR 830 each.

On the basis of legally binding agreement concluded on 5 April 2018 between Mr. Pavol Krúpa a Mr. Rastislav Velič, shareholders structure of Arca Investments, a.s. was changed. Mr. Rastislav Velič holds 55% shares of Arca Investments, a.s., Mr. Krúpa holds 5% shares of Arca Investments, a.s, and shares owned by Mr. Peter Kristofovic and Mr. Henrich Kis remained unchanged.

Nova Real Estate Finance, a. s. (the "Issuer"), an indirect Subsidiary of the Company, on 31 January 2018 issued Bonds (ISIN: SK4120013731) in total nominal value of the issue up to EUR 10,000,000. Interest revenue from the Bonds shall consist of a fixed interest rate amounting to 5.00 % per annum. Interest revenues shall be paid annually and retroactively, always on January 31. The Bonds mature at 31 January 2023 at their nominal value. The name of bonds is "Bonds NREF 2023 I.", the Bonds are publicly offered, listed on the stock-exchange. Obligations from Bonds establish direct, general, with the exception of the Letter of Guarantee unsecured, unconditioned and non-subordinated obligations of the Issuer. Obligations resulting from the Bonds are secured by a guarantor's representation of the guarantor, Arca Capital Slovakia, a.s., with its registered office at Plynárenská 7/A, 821 09 Bratislava, Slovak Republic, registered in the Commercial Register of the District Court of Bratislava I, Section: Sa, File No: 3202/B, Company ID: 35 868 856.

Nova Real Estate Finance, a. s. (the "Issuer"), an indirect Subsidiary of the Company, on 03 April 2018 issued Zero coupon Bonds (ISIN: SK4120013921) in total nominal value of the issue up to EUR 15,000,000. There is no any fixed interest revenues bonded with the Zero coupon Bonds. Yield from the Zero coupon Bonds till the maturity is 4,50% per annum. The Bonds mature at 03 April 2028. The name of Zero coupon bonds is "Bonds NREF 2028 I.", the Bonds are publicly offered. Obligations from Zero coupon Bonds establish direct, general, with the exception of the Letter of Guarantee unsecured, unconditioned and non-subordinated obligations of the Issuer. Obligations resulting from the Zero coupon Bonds are secured by a guarantor's representation of the guarantor, Arca Capital Slovakia, a.s., with its registered office at Plynárenská 7/A, 821 09 Bratislava, Slovak Republic, registered in the Commercial Register of the District Court of Bratislava I, Section: Sa, File No: 3202/B, Company ID: 35 868 856.

Arca Capital Slovakia, a. s. (the "Issuer"), a direct Subsidiary of the Company, on 1 June 2018 issued Bonds (ISIN: SK4210001380) in total nominal value of the issue up to EUR 5,500,000. Interest revenue from the Bonds shall consist of a fixed interest rate amounting to 8.50 % per annum. The Bonds mature at 1 June 2019 at their nominal value. Interest revenue shall be paid retroactively together with the nominal value of the Bonds. The name of Bonds is "Bond Arca Capital Slovakia", the Bonds are not publicly offered. Obligations from Bonds establish direct, general, unsecured, unconditioned and non-subordinated obligations of the Issuer.

In September 2017 Arca Investments, a.s. entered into a binding agreement to acquire majority stake in the equity of Wiener Privatbank SE, a licensed bank based in Austria. The transaction, which is subject to approval by regulators, is expected to close in 2018.

Since the balance sheet date of 31 December 2017, there have been no material events that could impair the integrity of the information presented in the financial statements.

Prepared on:

10 August 2018

Signature of statutory organ or physical person which is an accounting entity:

Ing. Rastislav Velič
Chairman of the Board of Directors

Signature of person responsible for financial statements:

Ing. Juraj Koník
Financial manager

Signature of person responsible for accounting:

Ing. Juraj Koník
Financial manager