

***PRAGUE
DEVELOPMENT
SICAV PLC***

**Annual Report
and
Audited Financial Statements**

31 December 2017

TG Complex, Suite 2, Level 3, Brewery Street, Mriehel, BKR 3000, Malta

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Management and Administration

DIRECTORS & INVESTMENT COMMITTEE MEMBERS

Mr. Michal Kocian
Vlastina 36/850
Prague 6, 161 00
Czech Republic

Mr. Alberto Miceli Farrugia (resigned 02 January 2018)
65, Birkirkara Hill
St. Julians STJ 1149
Malta

Ms. Claire Camilleri Gauci (appointed 02 January 2018)
Flat 13, Crystal Towers, 22,
Triq ir-Roża
Marsascala
Malta

Mr. Štěpán Havlas
Horní Mecholupy
Drtikolova 156/32
Prague, 10
Czech Republic

ADMINISTRATOR AND COMPANY SECRETARY

BOV Fund Services Limited
58
Zachary Street
Valletta, VLT 1130
Malta
*Recognised to provide Fund Administration
Services by the Malta Financial Services Authority*

AUDITORS

ECOVIS Malta
55B
Birbal Road
Balzan, BZN 9017
Malta

LEGAL ADVISORS

Ganado & Associates Advocates
171
Old Bakery Street
Valletta, VLT 1455
Malta

Description

PRAGUE DEVELOPMENT SICAV PLC ("the Company") is organised under the laws of Malta as a professional investor fund with variable share capital (SICAV) pursuant to the Companies Act, 1995. The Company was registered on 3 November 2009 and as at 31 December 2017 consisted of the following funds: Finep Harfa Fund, Finep Prosek Fund and Finep Barrandov Fund.

The Company is licensed by the Malta Financial Services Authority as a non-retail Collective Investment Scheme under the Investment Services Act, 1994. The Company has no employees.

Manager's Report

The Company consist of three sub-Funds:

- FINEP HARFA FUND
- FINEP PROSEK FUND, and
- FINEP BARRANDOV FUND.

As at 31st December 2017 FINEP HARFA FUND holds:

- directly 99% interest as General Partner in the Limited Partnership registered in the Czech Republic called FINEP Harfa k.s. (ID No: 27100626), and
- holds 100% ownership interest in the limited liability company EUROGIRO FINANCE CZ, s.r.o., incorporated under the laws of the Czech Republic (ID No: 62065271).

FINEP HARFA FUND via this ownership controls 99% interest in FINEP Harfa k.s. and 100% interest in EUROGIRO FINANCE CZ, s.r.o., which are set up specifically to invest in and develop PROJECT HARFA PARK.

As at 31st December 2017 FINEP PROSEK FUND holds:

- 99% interest as General Partner in a Limited Partnership registered in the Cyprus called PROSEK BYTOVA LIMITED PARTNERSHIP (ID No: S12109, Lampousas 1, 1095 Nicosia, Cyprus),
- 99% interest as General Partner in a Limited Partnership registered in the Cyprus called FINEP PROSEK LIMITED PARTNERSHIP (ID No: S12223, Lampousas 1, 1095 Nicosia, Cyprus),
- 99% interest as General Partner in a Limited Partnership registered in the Cyprus called PROSEK PARK V LIMITED PARTNERSHIP (ID No: S12225, Lampousas 1, 1095 Nicosia, Cyprus),
- 99% interest as General Partner in a Limited Partnership registered in the Cyprus called PROSEK PARK II LIMITED PARTNERSHIP (ID No: S12268, Lampousas 1, 1095 Nicosia, Cyprus),
- directly 98% interest as General Partner in the Limited Partnership FINEP Prosek bytová 10 k.s. (ID No: 29016347), a Limited Partnership registered in Czech Republic under Czech laws. FINEP Prosek bytová 10 k.s. has been set up specifically to invest in and develop PROJECT PROSEK RESIDENTIAL PARK (Phase X – in development),
- directly 10% interest as General Partner in the Limited Partnership FINEP Prosek bytová 12 k.s. (ID No: 29016380), a Limited Partnership registered in Czech Republic under Czech laws. FINEP Prosek bytová 12 k.s. has been set up specifically to invest in and develop PROJECT PROSEK RESIDENTIAL PARK (Phase XIII – in development),
- directly 99% interest as General Partner in the Limited Partnership FINEP Prosek bytová k.s. (ID No: 24716847), a Limited Partnership registered in Czech Republic under Czech laws. FINEP Prosek bytová k.s. has been set up specifically to invest in and develop PROJECT PROSEK RESIDENTIAL PARK (Phase I - completed),
- directly 99% interest as General Partner in the Limited Partnership FINEP Prosek k.s. (ID No: 26762382), a Limited Partnership registered in Czech Republic under Czech laws. FINEP Prosek k.s. has been set up specifically to invest in land to be used to either develop itself or sell the land for development in relation to PROJECT PROSEK RESIDENTIAL PARK,
- directly 99% interest as General Partner in the Limited Partnership FINEP PROSEK bytová 5 k.s. (ID No: 02574527), a Limited Partnership registered in Czech Republic under Czech laws. FINEP PROSEK bytová 5 k.s. has been set up specifically to invest in and develop PROJECT PROSEK RESIDENTIAL PARK (Phase V - completed & Phase IX - completed),
- directly 99% interest as General Partner in the Limited Partnership FINEP Prosek bytová 2, k.s. (ID No: 24308773), a Limited Partnership registered in Czech Republic under Czech laws. FINEP PROSEK bytová 2, k.s. has been set up specifically to invest in and develop PROJECT PROSEK RESIDENTIAL PARK (Phase III – completed, Phase VII - completed & Phase XII – in development).

As at 31st December 2017 FINEP BARRANDOV FUND holds:

- 99% interest as General Partner in a Limited Partnership registered in the Cyprus called KASKADY BARRANDOV LIMITED PARTNERSHIP (ID No: S12296, Lampousas 1, 1095 Nicosia, Cyprus),
- 99% interest as General Partner in the Limited Partnership FINEP BARRANDOV ZÁPAD k.s. (ID No: 27918041), a Limited Partnership registered in Czech Republic under Czech laws. FINEP BARRANDOV ZÁPAD k.s. has been set up specifically to invest in and develop KASKÁDY BARRANDOV RESIDENTIAL PARK site,
- 99% interest as General Partner in the Limited Partnership FINEP BARRANDOV bytová k.s. (ID No: 05547776), a Limited Partnership registered in Czech Republic under Czech laws. FINEP BARRANDOV bytová k.s. has been set up specifically to invest in and develop KASKÁDY BARRANDOV RESIDENTIAL PARK (Phase VI – in development),

Manager's Report

- 99% interest as General Partner in the Limited Partnership VERANO REAL k.s. (ID No: 04663276), a Limited Partnership registered in Czech Republic under Czech laws. In 2017 the land for future development of the project HODKOVIČKY NAD ŘEKOU RESIDENTIAL PARK situated nearby the river Vltava, in Prague 4 was sold by VERANO REAL k.s., and shall not be developed by VERANO NREAL k.s. anymore., and

PROJECT HARFA PARK

PROJECT HARFA PARK is situated in the large development territory of Nové Vysočany (in Prague, Czech Republic) and was the first residential development in this new Vysočany centre. The first phase (HARFA I) was completed in spring 2007 with almost 700 flat units, the 2nd phase (HARFA II) was finished in autumn 2007 with 391 flat units, the 3rd phase (HARFA III) was completed in end of 2008 with 393 flat units, the 4th phase (HARFA IV) was completed in the end of 2011 with 101 flats and the 5th phase (HARFA V) was completed in the end of 2013 with 137 units (130 flats & 7 retail commercial spaces), and in 2016 the construction of 6th phase of PROJECT NEW HARFA (HARFA VI) was finished and all of 175 flats within this phase were successfully handed over to its purchasers.

During 2016 a contract for purchase of surrounding plots, next to (in close vicinity) completed phases, was arranged, so it is expected that in upcoming years there will be another development performed by FINEP Harfa k.s. and EUROGIRO FINANCE CZ, s.r.o. Currently it is expected that another business phase within the Nové Vysočany location shall be put in sales during 2018, when it is expected that the zoning permit should be obtained either by FINEP Harfa k.s. or by EUROGIRO FINANCE CZ, s.r.o. for its plots.

PROJECT PROSEK RESIDENTIAL PARK

Project PROSEK RESIDENTIAL PARK is situated in the large development territory (suitable for combined multi-functional development) in Prague 8, district of Prosek (Střížkov part) district in the outer border of Prague, the capital of the Czech Republic. The inner block space includes gardens and leisure-time activities, with the garages and parking spaces located in the basements. Green gardens and parks are projected between the internal blocks of the buildings and they will be particularly intended for the project inhabitants. The units are intended for sale on primary market as well as for tenement followed by sale on secondary market.

Residential project PROSEK RESIDENTIAL PARK is being developed on the area of approximately 65,000 m² of land and will be made up of approximately 1,100 residential units. The property has been split into 13 plots (=> 13 sub-phases).

- 1st phase (PROSEK PARK I) was completed in Q1/2012 (developed by FINEP Prosek bytová k.s.) included 138 units. All units in the phase are completed and sold,
- 2nd phase (PROSEK PARK II), with 70 units, was completed in Q4/2013 by Bytové družstvo HABR to which FINEP Prosek k.s. sold requested land for development,
- 3rd phase (PROSEK PARK III developed by FINEP PROSEK bytová 2, k.s.) was completed in Q3/2014 included 93 units. All units in the phase are completed and sold,
- 4th phase (PROSEK PARK IV), with 88 units, was completed in Q4/2014 by Bytové družstvo PARK IV to which FINEP Prosek k.s. sold requested land for development,
- 5th phase (PROSEK PARK V - developed by FINEP PROSEK bytová 5 k.s.) was completed in Q2/2015 and included 104 units. All units in the phase are completed and sold,
- 6th phase (PROSEK PARK VI) is being developed by Bytové družstvo PARK VI, to which FINEP Prosek k.s. sold requested land for development, and includes 92 units. All units in the phase are completed and sold,
- 7th phase (PROSEK PARK VII) is being developed by FINEP PROSEK bytová 2, k.s. and the construction of this phase was started in 12/2014, and was completed in Q2/2016. All units in the phase are completed and sold,
- 8th phase (PROSEK PARK VIII), with 108 units, was completed in Q4/2017 by Bytové družstvo PARK VIII to which FINEP Prosek k.s. sold requested land for development, All units in the phase are completed and sold,
- 9th phase (PROSEK PARK IX) is being developed by FINEP PROSEK bytová 5, k.s. and the construction of this phase was started in 11/2015, and was completed in Q1/2017. All units in the phase are completed and sold,

Manager's Report

- 10th phase (PROSEK PARK X) is being developed by FINEP Prosek bytová 10 k.s. and the construction of this phase was started in 10/2016. The 10th phase includes 181 units and there are currently 160 units sold already,
- 11th phase (PROSEK PARK XI) is being developed by Bytové družstvo PARK XI, to which FINEP Prosek k.s. sold requested land for development, and includes 66 units. Construction of this phase was started in Q1/2017,
- 12th phase (PROSEK PARK XII) is being developed by FINEP PROSEK bytová 2, k.s. The 12th phase includes 106 units, currently there are 84 units sold already and construction of this phase was started in Q2/2017, and
- 13th phase (PROSEK PARK XIII) is being developed by FINEP Prosek bytová 12 k.s. The 13th phase includes 107 units, currently there are 30 units sold already and construction of this phase was started in Q1/2018.

KASKÁDY BARRANDOV RESIDENTIAL PARK

Project KASKÁDY BARRANDOV RESIDENTIAL PARK is located on the edge of Barrandov (in Prague, Czech Republic) near to Prokopské Valley. The second phase of the project was completed in 2003 with the successful delivery of all hundreds of new flats to their owners. The project continued with a third phase offering 394 new flats in 2005. The 4th and 5th phases of KASKÁDY BARRANDOV were completed in Q2/2014 with 129 units. All units in the phase are completed and sold.

FINEP BARRANDOV FUND will be investing into the development of future phase (Phase VI+) in KASKÁDY BARRANDOV RESIDENTIAL PARK site.

- 6th phase (KASKÁDY BARRANDOV VI) will be developed by KASKÁDY BARRANDOV bytová k.s., to which FINEP BARRANDOV ZÁPAD k.s. sold requested land for development. It is planned that KASKÁDY BARRANDOV VI will include 66 units and the construction shall be commenced in Q2/2018.
- 7th phase (KASKÁDY BARRANDOV VII) will be developed by Bytové družstvo KASKÁDY VII, to which FINEP BARRANDOV ZÁPAD k.s. sold requested land for development. It is planned that KASKÁDY BARRANDOV VII will include 85 units and the construction shall be commenced in Q3/2018.

Report of the Directors

The Directors are hereby laying their Annual Report of PRAGUE DEVELOPMENT SICAV PLC for the period 1 January 2017 to 31 December 2017.

In preparing these Annual Audited Financial Statements, the Directors are responsible for ensuring that the Financial Statements are complete and accurate in all material respects and conform to the MFSA's requirements of the Scheme's Licence Conditions.

Principal Activities

PRAGUE DEVELOPMENT SICAV PLC is organised under the laws of Malta as a multi-fund investment company with variable share capital (SICAV) pursuant to the Companies' Act, 1995. The Company may constitute segregated Sub-Funds which are segregated patrimonies and are represented by different classes of shares.

Review of Business Development

The Objective of the Company is the collective investment of its funds in securities and other movable or immovable property, or in any of them, with the aim of spreading investment risks and giving members the benefits of the results of the management of its funds.

The net asset value of PRAGUE DEVELOPMENT SICAV PLC as at 31 December 2017 stood at CZK 1,377,036,386 (2016: CZK 558,166,261).

Risk Management

The Company is exposed to a variety of risks and hence operates a risk management strategy with the objective of controlling and minimising the impact on the financial performance and position. A detailed review of the risk management policies employed by the Company with the exposures to credit risk, liquidity risk, market risk and operational risk is included in note 16 of the financial statements.

Listing Authorities

The funds of PRAGUE DEVELOPMENT SICAV PLC were listed on the official list of the Malta Stock Exchange on 26 January 2016.

Going Concern Statement

The directors consider that the financial position of the Company was satisfactory as at the reporting date, with total equity of CZK1,377,036,386 relative to total assets of CZK1,557,364,576. The directors do not foresee any going concern issues in the foreseeable future.

Future Developments

The Company intends to maintain its key objective in the future, with aim to widen the number of projects and locations for development in the Czech Republic.

Results

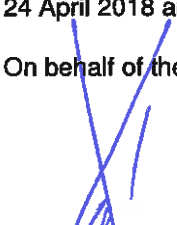
The results for the period under review can be found in the statement of profit or loss and other comprehensive income on page 14.

Statement of Regulatory Breaches

As required by the Investment Services Rules for Invest Service Providers regulated by the MFSA, we report that there were no breaches of the standard licence conditions or other regulatory requirements during the reporting period which were subject to an administrative penalty or other regulatory sanction.

The Audited Financial Statements on pages 13 to 34 were authorised for issue by the Board of Directors on 24 April 2018 and were signed on its behalf by:

On behalf of the Board



Michal Kocián
Director



Štěpán Havlas
Director

Statement of Directors' Responsibilities

The Directors are required by the Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the Company as at the end of each financial period and of the profit or loss for the period.

In preparing the financial statements, the Directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards, as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business as a going concern.

The Directors are also responsible for designing, implementing and maintaining internal control relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Companies Act, 1995. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board



Michal Kocián
Director

24 April 2018



Štěpán Havlas
Director

Independent Auditors' Report**To the Members of PRAGUE DEVELOPMENT SICAV PLC****Report on the Financial Statements**

We have audited the financial statements of PRAGUE DEVELOPMENT SICAV PLC, set out on pages 13 to 34, which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in net assets attributable to holders of redeemable shares and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (EU IFRSs) and have been prepared in accordance with the requirements of the Companies Act (Cap. 386).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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.

Acquisition of Investments in Financial Assets

At 31 December 2017, the Company through its three Sub-Funds held investments in subsidiaries and loans and receivables amounting to CZK77,400,000 and CZK1,309,000,000 respectively. As described in the Accounting Policies in note 3 and 9 to the financial statements, investments in subsidiaries are carried at cost less any accumulated impairment losses whilst loans and receivables are carried at amortised cost.

The acquisition of investments in financial assets is a significant part of PRAGUE DEVELOPMENT SICAV PLC's operations. Accordingly, we have performed specific audit procedures on accounting for acquisitions of investments.

Independent Auditors' Report (continued)*How the key audit matter was addressed in the audit*

We obtained assurance over the accuracy, existence, completeness and valuation of the investments in subsidiaries and loans and receivables by applying the following audit procedures:

- Performed tests of detail on the basis of the related acquisition contracts, deed of partnerships and loan contracts.
- Performed searches with established Company Houses on the involvements of the Company in partnerships and limited liability companies in Cyprus and the Czech Republic.
- Requested the financial statements of each subsidiary and checked the disclosures in the notes matched the information already available.
- Confirmation of existence of loans was further obtained through the disclosures in the financial statements of the respective partnership/company.

Findings

Based on the evidence obtained, we found that the investments in subsidiaries and loan and receivable are complete and properly accounted for. We found the accounting policy notes 3 and 9 and disclosure notes 3 and 4 to the financial statements to be appropriate.

Revenue Recognition

The main income of the Sub-Funds is generated through the dividends and interest income. In total, all Sub-Funds received CZK1,078,015,706 from dividends and CZK15,061,569 interest income in the financial year ending 2017.

Considering that dividends receivable are significantly material to our audit we have performed specific audit procedures.

How the key audit matter was addressed in the audit

Our audit of dividend income included the following procedures:

- Obtained the minutes of the Annual General Meeting and the approved financial statements of each subsidiary.
- Verified that the information contained in the minutes correspond to the financial statements of the subsidiaries.
- Confirmation of dividends receivable as at end of financial year obtained through the financial statements of the subsidiaries.

Our audit of interest income included the following procedures:

- Obtained the agreements and terms of the bonds subscribed.
- Recalculated the interest receivable in accordance with the interest rate as stated in the agreements.
- Traced any interest received that was due during the year and after year end to bank statements.

Findings

We found that, in the context of our audit of the financial statements of PRAGUE DEVELOPMENT SICAV PLC all dividend and interest income is supported by the available evidence. We also found the accounting policy note 7 and disclosure note 11 and 12 to the financial statements to be appropriate.

Other Information

The directors are responsible for the other information. The other information comprises the Report of the Directors (but does not include the financial statements and our auditors' report thereon), the Manager's Report, Description of the Company and its Management and Administration, and the Information about the Scheme. Our opinion on the financial statements does not cover this 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 obtained in the audit, or otherwise appears to be materially misstated.

Independent Auditors' Report (continued)

With respect to the Report of the Directors, we also considered whether the Report of the Directors includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386) and other applicable legal requirements, and is to include a statement that the Company is a going concern with supporting assumptions or qualifications as necessary, as required by Listing Rule 5.62 issued by the Listing Authority of Malta.

Based on the work we have performed, in our opinion:

- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Report of the Directors has been prepared in accordance with the Maltese Companies Act (Cap.386); and
- we have nothing to report in relation to the statement on going concern.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Report of the Directors. We have nothing to report in this regard.

Responsibilities of the Directors

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS as adopted by the European Union and the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine 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 directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditors' Report (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, 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 auditors' 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.

Other matters on which we are required to report by exception

Under the Maltese Companies Act (Cap. 386) we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.

We have nothing to report to you in respect of these responsibilities.



Karl Bonanno
(Partner) for and on behalf of

ECOVIS Malta
Registered Auditors

24 April 2018

Statement of Financial Position

As at 31 December 2017

		PRAGUE DEVELOPMENT SICAV PLC	PRAGUE DEVELOPMENT SICAV PLC	Finep Harfa Fund	Finep Harfa Fund	Finep Prosek Fund	Finep Prosek Fund	Finep Barrandov Fund	Finep Barrandov Fund
	Notes	31.12.2017 CZK	31.12.2016 CZK	31.12.2017 CZK	31.12.2016 CZK	31.12.2017 CZK	31.12.2016 CZK	31.12.2017 CZK	31.12.2016 CZK
Assets									
Investment in subsidiary	3	77,400,000	189,310,000	76,600,000	76,600,000	720,000	520,000	80,000	112,190,000
Loans and receivables	4	1,309,000,000	333,000,000	222,000,000	222,000,000	232,000,000	111,000,000	855,000,000	-
Trade and other receivables	5	44,412,603	16,640,845	10,149,417	6,881,488	5,455,539	6,850,872	26,807,647	2,908,485
Cash and cash equivalents	6	126,551,973	97,924,780	4,620,592	2,888,877	95,600,517	91,251,233	26,300,864	3,754,670
Total assets		1,557,364,576	636,875,625	313,370,009	308,370,365	333,776,056	209,622,105	910,188,511	118,853,155
Liabilities									
Deferred tax	7	15,669,694	-	-	-	-	-	15,669,694	-
Loans payable	8	126,000,000	60,000,000	126,000,000	-	-	40,000,000	-	20,000,000
Trade and other payables	9	38,656,496	18,709,364	4,155,997	11,786,722	9,655,408	5,832,826	24,847,091	1,089,816
Total liabilities		180,326,190	78,709,364	130,155,997	11,786,722	9,655,408	45,832,826	40,516,785	21,089,816
Net assets attributable to holders of redeemable investor shares		1,377,038,386	558,166,261	183,214,012	296,583,643	324,120,648	163,789,279	869,671,726	97,763,339

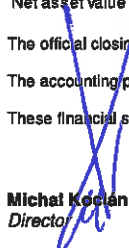
Salient statistics

Shares in issue as at 31 December 2017 (note 10)	48,810.84	62,500.00	1,000,000.00
Net asset value as at 31 December 2017	183,214,012	324,120,648	869,671,726
Net asset value as at 31 December 2016	296,583,643	163,789,279	97,763,339
Net asset value as at 31 December 2015	98,540,146	60,927,795	65,943,093

The official closing middle rate of exchange applicable between CZK and EUR as at 31 December 2017 was 25.52992 (2016: 27.02074).

The accounting policies and notes to the financial statements on pages 17 to 34 are an integral part of these financial statements.

These financial statements on pages 13 to 34 were authorised for issue by the Board of Directors on 24 April 2018 and were signed on its behalf by:



Michal Kocian
Director



Štěpán Havlas
Director

Statement of Profit or Loss and Other Comprehensive Income
 for the year ended 31 December 2017

	Notes	PRAGUE DEVELOPMENT SICAV PLC 31.12.2017 CZK	PRAGUE DEVELOPMENT SICAV PLC 31.12.2016 CZK	Finep Harfa Fund 31.12.2017 CZK	Finep Harfa Fund 31.12.2016 CZK	Finep Prosek Fund 31.12.2017 CZK	Finep Prosek Fund 31.12.2016 CZK	Finep Barrandov Fund 31.12.2017 CZK	Finep Barrandov Fund 31.12.2016 CZK
Income									
Dividend income	12	1,078,015,706	355,903,769	2,000,000	240,738,759	263,021,775	114,605,614	812,993,931	559,396
Interest income	12	15,061,596	725,740	9,187,484	128,079	5,066,780	55,541	807,332	542,120
Other Income		114	16,000	114	16,000	-	-	-	-
		1,093,077,416	356,645,509	11,187,598	240,882,838	268,088,555	114,661,155	813,801,263	1,101,516
Expenses									
Interest expense		4,186,761	-	3,761,833	-	255,486	-	169,442	-
Auditors' remuneration	13	316,317	334,788	105,439	111,596	105,439	111,596	105,439	111,596
Loss on exchange differences		16,446	23,847	6,157	10,808	5,475	6,369	4,814	6,670
Administration fees		958,541	1,038,123	318,847	358,874	318,847	335,906	318,847	343,343
Legal and professional fees		377,187	658,550	132,779	169,632	111,362	169,034	133,046	319,884
Directors' remuneration	15	109,644	113,455	35,704	36,917	36,224	37,446	37,716	39,092
Investment committee fees	15	369,718	384,882	87,061	90,392	102,414	106,334	180,243	188,156
Operating loss from investments		3,775,584	6,321,478	125,042	-	3,478,381	5,555,736	172,161	765,742
Other operating expenses		412,978	164,389	128,392	58,821	144,973	54,316	139,613	51,252
		10,521,176	9,039,512	4,701,254	837,040	4,558,601	6,376,737	1,261,321	1,825,735
Net income/(loss)		1,082,556,240	347,605,997	6,486,344	240,045,798	263,529,954	108,284,418	812,539,942	(724,219)
Interest expenses		-	(14,776)	-	-	-	(9,172)	-	(5,604)
Distribution to shareholders	11	(210,000,000)	(133,000,000)	(120,000,000)	(68,000,000)	(90,000,000)	(60,000,000)	-	(5,000,000)
Tax (expense)/refund	14	(53,686,115)	(17,365,983)	144,025	(12,002,290)	(13,198,585)	(5,413,762)	(40,631,555)	50,069
Increase/(decrease) in net assets attributable to redeemable investor		818,870,125	197,225,238	(113,369,631)	160,043,508	160,331,369	42,861,484	771,908,387	(5,679,754)

The notes to the financial statements on pages 17 to 34 are an integral part of these financial statements.

Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares
for the year ended 31 December 2017

	PRAQUE DEVELOPMENT SICAV PLC 31.12.2017 CZK	PRAQUE DEVELOPMENT SICAV PLC 31.12.2016 CZK	Finep Harfa Fund 31.12.2017 CZK	Finep Harfa Fund 31.12.2016 CZK	Finep Prosek Fund 31.12.2017 CZK	Finep Prosek Fund 31.12.2016 CZK	Finep Barrandov Fund 31.12.2017 CZK	Finep Barrandov Fund 31.12.2016 CZK
Net assets at the beginning of the year	558,166,261	225,441,034	296,583,643	98,540,146	163,789,279	60,927,795	97,763,339	65,943,093
Creations for the year	-	145,500,000	-	48,000,000	-	60,000,000	-	37,500,000
Redemptions for the year	-	(10,000,011)	-	(10,000,011)	-	-	-	-
Net Increase/(decrease) in net assets during the year	818,870,125	197,225,238	(113,369,631)	160,043,508	160,331,369	42,861,484	771,908,387	(5,679,754)
Net assets attributable to redeemable shares at the end of the year	1,377,036,386	558,166,261	183,214,012	296,583,643	324,120,648	163,789,279	869,671,726	97,763,339

The notes to the financial statements on pages 17 to 34 are an integral part of these financial statements.

PRAGUE DEVELOPMENT SICAV PLC
Statement of Cash Flows
for the year ended 31 December 2017

2017 Annual Report and Audited Financial Statements

	PRAGUE DEVELOPMENT SICAV PLC 31.12.2017 CZK	PRAGUE DEVELOPMENT SICAV PLC 31.12.2016 CZK	Finep Harfa Fund 31.12.2017 CZK	Finep Harfa Fund 31.12.2016 CZK	Finep Prosek Fund 31.12.2017 CZK	Finep Prosek Fund 31.12.2016 CZK	Finep Barrandov Fund 31.12.2017 CZK	Finep Barrandov Fund 31.12.2016 CZK
Cash flows from operating activities								
Acquisitions of investments	111,910,000	(112,310,000)	-	-	(200,000)	(200,000)	112,110,000	(112,110,000)
Interest received/(paid)	6,567,698	546,575	4,669,327	1,874	2,067,812	1,740	(169,441)	542,961
Operating expenses paid	(2,609,638)	(8,989,699)	(833,740)	(804,153)	(822,808)	(6,395,763)	(953,090)	(1,789,783)
Dividends received	1,059,275,843	114,704,268	8,738,760	100,960,102	264,977,887	6,484,206	785,559,396	7,239,960
Other income	114	16,000	114	16,000	-	-	-	-
Taxation (paid)/received	(20,138,748)	(6,441,178)	(16,832,399)	(251,199)	(5,136,249)	(3,017,600)	1,829,899	(3,172,379)
Net cash flows from operating activities	1,155,005,268	(12,474,034)	(4,257,938)	99,942,624	260,886,442	(3,127,417)	898,376,764	(109,289,241)
Cash flows from financing activities								
Proceeds from creation of redeemable shares	-	145,500,000	-	48,000,000	-	60,000,000	-	37,500,000
Payments on redemptions of redeemable shares	-	(10,000,011)	-	(10,000,011)	-	-	-	-
Intra-SICAV transfers	-	-	(10,347)	1,804,288	5,175	(1,769,838)	5,172	(34,450)
Loans (paid)/received	(910,000,000)	(15,600,000)	126,000,000	(76,600,000)	(161,000,000)	39,000,000	(875,000,000)	22,000,000
Losses on investments paid	-	-	-	-	(5,542,333)	-	(835,742)	-
Dividends paid	(210,000,000)	(133,000,000)	(120,000,000)	(68,000,000)	(90,000,000)	(60,000,000)	-	(5,000,000)
Net cash flows used in financing activities	(1,120,000,000)	(13,100,011)	5,989,653	(104,795,723)	(256,537,158)	37,230,162	(875,830,570)	54,465,550
Net increase/(decrease) in cash and cash equivalents	28,627,193	(25,574,045)	1,731,715	(4,853,099)	4,349,284	34,102,745	22,546,194	(54,823,691)
Cash and cash equivalents at beginning of the year	97,924,780	123,498,825	2,888,877	7,741,976	91,251,233	57,148,488	3,754,670	58,578,361
Cash and cash equivalents at end of the year (note 6)	126,551,973	97,924,780	4,620,592	2,888,877	95,600,517	91,251,233	26,300,864	3,754,670

The notes to the financial statements on pages 17 to 34 are an integral part of these financial statements.

Accounting Policies

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"s) as adopted by the European Union, and comply with the Companies Act, 1995. They have also been prepared in accordance with the requirements of the Malta Financial Services Authority's Investment Services Guidelines.

These financial statements are being prepared from 01 January 2017 to 31 December 2017, whilst the comparative figures relate to the period 01 January 2016 up till 31 December 2016.

The preparation of financial statements in conformity with IFRSs requires the use of certain accounting estimates. It also requires Directors to exercise their judgment in the process of applying its accounting policies. The Statement of Financial Position presents assets and liabilities in increasing order of liquidity and does not distinguish between current and non-current items. Financial assets and liabilities at fair value through income are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in accordance to the Sub-Investment Manager's or the Advisor's recommendations. All other assets and liabilities are expected to be realised within one year.

Consolidated financial statements as required by International Financial Reporting Standard 10 have not been drawn up, since the Company has taken advantage of the exemption from so doing conferred on it by Article 174 of the Companies Act, 1995 (Chapter 386, Laws of Malta). Accordingly, these financial statements present information about the Company and not about its group. The Company forms part of the Group Finep Holding, SE. Finep Holding, SE is a company domiciled in the Czech Republic and the address of its registered office is Havlíčkova 1030/1, Nové Město, 110 00, Prague 1. Finep Holding, SE prepares consolidated financial statements in accordance with International Financial Reporting Standards. A copy of the consolidated financial statements of the group can be obtained from Finep Holding, SE's registered office.

Standards and amendments to existing standards effective 1 January 2017

On 29 January 2016, the IASB issued an amendment to IAS 7 Statement of Cash Flows. This amendment intended to improve information provided to users of financial statements about an entity's financing activities. These amendments are effective for annual periods beginning on or after 1 January 2017.

New standards, amendments and interpretations effective after 1 January 2017 that have not been early adopted

At the date of authorisation of these financial statements, the following standards, revisions and interpretations were in issue but not yet effective:

The final version of IFRS 9 - *Financial Instruments* brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 - *Financial Instruments: Recognition and Measurement*. The Standard supersedes all previous versions of IFRS 9.

IFRS 9 introduces a logical approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule based requirements that are generally considered to be overly complex and difficult to apply.

The new model also results in a single, forward-looking 'expected loss' impairment model that will require more timely recognition of expected credit losses.

IFRS 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss. The effective date for IFRS 9 is 1 January 2018.

On 12 October 2017, the IASB published *Prepayment Features with Negative Compensation* (Amendments to IFRS 9) to address the concerns about how IFRS 9 Financial Instruments classifies particular prepayable financial assets. In addition, the IASB clarifies an aspect of the accounting for financial liabilities following a modification.

On 12 December 2017, the IASB issued *Annual Improvements to IFRS Standards 2015–2017 Cycle*. The pronouncement contains amendments to four International Financial Reporting Standards as result of the IASB's annual improvements project. The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.

Accounting Policies

1. BASIS OF PREPARATION (continued)

The directors are assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The directors anticipate that the adoption of other International Financial reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

Basis of measurement

The financial statements have been prepared on the historical cost basis.

Use of estimates and judgements

The preparation of financial statements in conformity with International Financial Reporting Standards as adopted by the EU requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected. Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 2.

Functional and presentation currency

The financial statements are presented in Czech Koruna (CZK), which is the Company's functional currency.

2. FOREIGN EXCHANGE TRANSLATION

Transactions in foreign currencies are translated into Czech Koruna at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the reporting date into Czech Koruna at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into Czech Koruna at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on translation are recognised in the statement of profit or loss and other comprehensive income as net foreign exchange gain or loss, except for those arising on financial instruments at fair value through profit or loss, which are recognised as net gain or loss from instruments at fair value through profit or loss.

3. INVESTMENT IN SUBSIDIARY

A subsidiary is an entity, including an unincorporated entity such as a partnership, which is controlled by the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

An investment in a subsidiary is initially measured at cost. After initial recognition, an investment in subsidiary may be carried either under the cost method, that is at cost less any accumulated impairment losses or at fair value through profit and loss.

After initial recognition the investment in subsidiary is carried under the cost method.

4. OTHER RECEIVABLES AND PAYABLES

Other receivables and payables represent amounts receivable and payable respectively, for transactions contracted for but not yet delivered by the end of the year. These amounts include bonds subscribed to by the Sub-Funds and loans payable at the year end. Other receivables and payables are initially recognised at fair value and subsequently measured at amortised cost less any provision for impairment. A provision for impairment of amounts due is established when there is an objective evidence that the Funds will not be able to collect all amounts due.

Accounting Policies

5. REDEEMABLE SHARES

The Company classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The Company issues redeemable shares and are classified as financial liabilities. The redeemable shares provide investors with the right to require redemption for cash at a value proportionate to the investor's share in the respective Fund's net assets at the redemption date and also in the event of the Fund's liquidation. The redemption price per share on the relevant redemption day shall be the net asset value calculated to 3 decimal places as at the close of business on the relevant valuation day. In accordance with the offering supplement of the Sub-funds, unless otherwise determined by the directors of the Company, no redemptions will be affected during the first five years of the life of the Sub-Fund. After the lapse of this five year period, Investor Shares may be redeemed on Redemption Days.

6. EXPENSES

Expenses are accounted for on an accrual basis and are expensed as incurred.

7. INCOME RECOGNITION

Interest income

Interest income and expense, including interest income from non-derivative financial assets at fair value through profit or loss, are recognised in the statement of comprehensive income using the effective interest method.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, when appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. Interest received or receivable, and interest paid or payable are recognised in the statement of comprehensive income as interest income and interest expense, respectively.

Dividend income

Dividend income is recognised in the statement of profit or loss and other comprehensive income when the right to receive income is established. For quoted equity securities this is usually the ex-dividend date. For unquoted equity securities this is usually the date when the shareholders have approved the payment of a dividend. Dividend income from equity securities designated at fair value through profit or loss is recognised in the statement of comprehensive income as dividend income.

Dividend to holders of redeemable shares

Dividends payable to holders of redeemable shares are recognised in the statement of profit or loss and other comprehensive income as finance costs when they are authorised by the board of directors.

Fees and commission expenses

Fees and commission expenses are recognised in the statement of profit or loss and other comprehensive income as the related services are performed.

8. CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents comprise deposits with banks with original maturities of less than three months. In the statement of financial position, overdrawn bank balances are included within liabilities.

9. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Recognition and initial measurement

Financial assets and liabilities at fair value through profit or loss are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Other financial assets and liabilities are recognised on the date they are originated.

Accounting Policies

9. FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(continued)*

Financial assets and financial liabilities at fair value through profit or loss are measured initially at fair value, with transaction costs recognised in the statement of profit or loss and other comprehensive income. Financial assets or financial liabilities not at fair value through profit or loss are measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

Classification

The Company classifies financial assets and financial liabilities into the following categories:

- *Financial assets at fair value through profit or loss.*

This category is divided into two sub-categories:

Designated includes any financial asset that is designated on initial recognition as one to be measured at fair value with fair value changes in profit or loss; and Held for trading includes all derivatives (except those designated hedging instruments) and financial assets acquired or held for the purpose of selling in the short term or for which there is a recent pattern of short-term profit taking.

- *Financial assets at amortised cost include loans and receivables.*

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than held for trading or designated on initial recognition as assets at fair value through profit or loss or as available-for-sale.

- *Financial liabilities at fair value through profit or loss.*

This category is divided into two sub-categories:

Designated includes a financial liability that is designated by the entity as a liability at fair value through profit or loss upon initial recognition; and Held for trading includes a financial liability classified as held for trading, such as an obligation for securities borrowed in a short sale, which have to be returned in the future.

- *Other financial liabilities measured at amortised cost include payables.*

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction of impairment.

Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Company establishes fair value using valuation techniques. Valuation techniques include recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Company calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data. If there is no active market for an equity instrument and the range of reasonable fair values is significant and these estimates cannot be made reliably, then the Company measures the equity instrument at cost less impairment.

Accounting Policies

9. FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(continued)*

Identification and measurement of impairment

At end reporting date the Company assesses whether there is objective evidence that financial assets measured at amortised cost are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment is reversed through profit or loss.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on impaired assets continues to be recognised through the unwinding of the discount.

The Company writes off financial assets carried at amortised cost when they are determined to be uncollectible.

Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability in the statement of financial position.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised), and the consideration received (including any new asset obtained less any new liability assumed) is recognised in the statement of comprehensive income.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

10. OFFSETTING

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, for example, for gains and losses arising from a group of similar transactions, such as gains and losses from financial instruments at fair value through profit or loss.

Accounting Policies

11. TAX EXPENSE

The tax regime for collective investment schemes is based on the classification of funds into prescribed or non-prescribed funds in terms of the conditions set out in the Collective Investment Schemes (Investment Income) Regulations, 2001, as amended. In general, a prescribed fund is defined as a resident fund, which has declared that the value of its assets situated in Malta amount to at least 85% of the value of the total assets of the fund.

Investment income as defined in the Income Tax Act received by a prescribed fund is subject to a withholding tax and such income cannot be received by the Sub-Fund gross of tax. The applicable rate of withholding tax is currently 15% on local bank interest and 10% on investment income other than local bank interest. The Company (whether in respect of prescribed or non-prescribed funds) is not entitled to a credit or to a refund of any tax at source deducted from income received by the Company. Other income and capital gains are tax exempt in the hands of prescribed funds.

On the other hand any fund which is classified as a non-prescribed fund for income tax purposes would not be subject to tax on its income or gains (other than any income from immovable property situated in Malta), but resident investors therein may be subject to a 15% final withholding tax on capital gains realised on redemption of units. However, the investor may request the Company not to effect the deduction of the said 15% withholding tax in which case the investor would be required to declare the gains in his income tax return and will be subject to tax at the normal rates of tax.

In case of the Company's foreign investments, any capital gains, dividends, interest and other gains or profits may be subject to tax imposed by the country of origin concerned and such taxes may not be recoverable by the Company or by its shareholder.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the Financial Statements

1. GENERAL

PRAGUE DEVELOPMENT SICAV PLC ("the Company") is an open-ended investment company and was incorporated as a public company with limited liability in Malta on 03 November 2009. The Company and the Funds are licensed by the Malta Financial Services Authority as Collective Investment Schemes under the Investment Services Act, 1994.

The Funds of Prague Development SICAV plc were listed on the official list of the Malta Stock Exchange on 26 January 2016. The Funds were listed in terms of Chapter 8 of the Listing Rules applicable to open-ended collective investment schemes.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Company's accounting policies, management has made no judgements which can significantly affect the amounts recognised in the financial statements. At the reporting date, there were no key assumptions concerning the future, or any other key sources of estimation uncertainty, most have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3. INVESTMENT IN SUBSIDIARY

Name	Registered Address	Holding
Finep Harfa k.s.	Prague 1, Havlickova 1030/1, 110,00, Prague	99%
Eurogiro Finance CZ s.r.o.	Prague 1, Havlickova 1030/1, 110,00, Prague	100%
Prosek Bytova Ltd. Partnership	1, Lampousas Street, 1095, Nicosia, Cyprus	99%
Finep Prosek Ltd. Partnership	1, Lampousas Street, 1095, Nicosia, Cyprus	99%
Prosek Park V Ltd. Partnership	1, Lampousas Street, 1095, Nicosia, Cyprus	99%
Prosek Park II Ltd. Partnership	1, Lampousas Street, 1095, Nicosia, Cyprus	99%
Finep Prosek Bytova k.s.	Prague 1, Havlickova 1030/1, 110,00, Prague	99%
Finep Prosek k.s.	Prague 1, Havlickova 1030/1, 110,00, Prague	99%
Finep Prosek Bytova 2 k.s.	Prague 1, Havlickova 1030/1, 110,00, Prague	99%
Finep Prosek Bytova 5 k.s.	Prague 1, Havlickova 1030/1, 110,00, Prague	99%
Finep Prosek Bytova 10 k.s.	Prague 1, Havlickova 1030/1, 110,00, Prague	98%
Finep Prosek Bytova 12 k.s.	Prague 1, Havlickova 1030/1, 110,00, Prague	10%
Kaskady Barrandov Ltd. Partnership	1, Lampousas Street, 1095, Nicosia, Cyprus	99%
Finep Barrandov Zapad k.s.	Prague 1, Havlickova 1030/1, 110,00, Prague	99%
Finep Barrandov Bytova k.s.	Prague 1, Havlickova 1030/1, 110,00, Prague	99%
Verano Real k.s.	Prague 1, Havlickova 1030/1, 110,00, Prague	99%

Finep Harfa Fund

On 10 November 2009, the Finep Harfa Fund, acquired 48% as a general partner in the Limited Partnership Finep Harfa k.s., incorporated in the Czech Republic. Notwithstanding the fact that the Fund does not have an interest in Finep Harfa k.s. in excess of 50%, it has the right to veto all the decisions of the other stake holders. The audited financial statements of the subsidiary have been prepared in accordance with Czech accounting standards. The distribution of all profits of Finep Harfa k.s. attributable to the general partners has been approved and appropriately accounted for in these financial statements.

On 21 December 2015, the Finep Harfa Fund, acquired 100% in the Limited Liability Company, Eurogiro Finance CZ s.r.o., incorporated in the Czech Republic. The purchase price of CZK 76,600,000 has been fully paid at the date of the agreement by the delivery of five promissory notes, fully repaid by the 30 September 2016. During the year ended 31 December 2016, following a revision to the agreement between Finep Harfa Fund and Finep Harfa k.s., the former has a 99% ownership of the latter.

Notes to the Financial Statements

3. INVESTMENT IN SUBSIDIARY (continued)

Finep Prosek Fund

On 1 November 2012, the Finep Prosek Fund, contributed CZK 80,000 (80%) to the capital of the partnership Prosek Bytova Limited Partnership, a Limited Partnership incorporated in Cyprus. This Limited Partnership was specifically set up to gain controlling interest as a general partner in FINEP Prosek Bytova k.s., a limited partnership incorporated in the Czech Republic. The Finep Prosek Fund holds 99% of the voting rights of Prosek Bytova Limited Partnership and shares 99% in the distribution of profits and division of losses. On 3 October 2017, the Finep Prosek Fund acquired directly 99% shares in FINEP Prosek Bytova k.s.

On 30 October 2013, the Finep Prosek Fund contributed CZK 80,000 (80%) to the capital of the partnership Finep Prosek Limited Partnership, a Limited Partnership incorporated in Cyprus. This Limited Partnership was specifically set up to gain controlling interest as a general partner in FINEP Prosek k.s., a limited partnership incorporated in the Czech Republic. The Finep Prosek Fund holds 99% of the voting rights of Finep Prosek Limited Partnership and shares 99% in the distribution of profits and division of losses. On 2 October 2017, the Finep Prosek Fund acquired directly 99% shares in FINEP Prosek k.s.

On 20 November 2013, the Finep Prosek Fund contributed CZK 80,000 (80%) to the capital of the partnership Prosek Park V Ltd Partnership, a Limited Partnership incorporated in Cyprus. This Limited Partnership was specifically set up to gain controlling interest as a general partner in FINEP Prosek Bytova 5 k.s., a limited partnership incorporated in the Czech Republic. The Finep Prosek Fund holds 99% of the voting rights of Finep Prosek Limited Partnership and shares 99% in the distribution of profits and division of losses. On 14 August 2017, the Finep Prosek Fund acquired directly 99% shares in FINEP Prosek Bytova 5 k.s.

On 31 March 2014, the Finep Prosek Fund contributed CZK 80,000 (80%) to the capital of the partnership Prosek Park II Limited Partnership, a Limited Partnership incorporated in Cyprus. This Limited Partnership was specifically set up to gain controlling interest as a general partner in FINEP Prosek 2 Bytova k.s., a limited partnership incorporated in the Czech Republic. The Finep Prosek Fund holds 99% of the voting rights of Prosek Park II Limited Partnership and shares 99% in the distribution of profits and division of losses. On 14 August 2017, the Finep Prosek Fund acquired directly 99% shares in FINEP Prosek Bytova 2 k.s.

On 19 April 2016, the Finep Prosek Fund contributed CSK 200,000 to the capital of FINEP Prosek Bytova 10 k.s., an entity incorporated in the Czech Republic. The Finep Prosek Fund holds 10% of the voting rights of FINEP Prosek Bytova 10 k.s., and shares 10% in the distribution of profits and division of losses. On 16 August 2017, the Finep Prosek Fund increased its shareholding to 98% interest. No additional contribution was made.

On 10 July 2017, the Finep Prosek Fund, contributed CZK 200,000 (10%) to the capital of Office Centre Beta a.s., an entity incorporated in the Czech Republic. The Finep Prosek Fund holds 10% of the voting rights of Office Centre Beta a.s., and shares 10% in the distribution of profits and division of losses. On 14 November 2017, Office Centre Prosek Beta a.s. has transformed its legal form into a limited partnership called FINEP Prosek Bytova 12 k.s.

Finep Barrandov Fund

On 20 June 2014, the Finep Barrandov Fund contributed CZK 80,000 (80%) to the capital of the partnership Kaskady Barrandov Limited Partnership, a Limited Partnership incorporated in Cyprus. This Limited Partnership was specifically set up to gain controlling interest as a general partner in FINEP Barrandov Zapad k.s., a limited partnership incorporated in the Czech Republic. The Finep Barrandov Fund holds 99% of the voting rights of Kaskady Barrandov Limited Partnership and shares 99% in the distribution of profits and division of losses. On 15 June 2016, the interest in Finep Barrandov Zapad k.s. was acquired directly by Finep Barrandov Fund.

On 20 June 2016, the Finep Barrandov Fund, acquired 100% in the Limited Liability Company, Eyscha a.s., incorporated in the Czech Republic. The purchase price of CZK 2,110,000, and additional capital contribution totalling CZK 110,000,000 has been fully paid in the year 2016. On 21 August 2017, the Finep Barrandov Fund sold its 100% share for CZK 2,040,000 and resolved to dissolve the other capital funds from equity capital of Eyscha a.s.

Notes to the Financial Statements

3. INVESTMENT IN SUBSIDIARY (continued)

Finep Barrandov Fund (continued)

On 30 September 2016, the Finep Barrandov Fund, acquired 99% as a general partner, in the Limited Liability Partnership, FINEP Barrandov Bytova k.s., incorporated in the Czech Republic. The Finep Barrandov Fund holds 99% of the voting rights of FINEP Barrandov Bytova k.s., and shares 99% in the distribution of profits and division of losses.

On 01 December 2016, the Finep Barrandov Fund, acquired 99% as a general partner, in the Limited Liability Partnership, Verano Real k.s., incorporated in the Czech Republic. The Finep Barrandov Fund holds 99% of the voting rights of Verano Real k.s., and shares 99% in the distribution of profits and division of losses.

4. LOANS AND RECEIVABLES

As at 31 December 2016, Finep Prosek Fund invested in a loan amounting to CZK 1,000,000 carrying interest at 1 year PRIBOR + 0.50%, and matured on 31 December 2017. Loans invested by Finep Harfa Fund amounting to CZK 222,000,000, and Finep Prosek Fund amounting to CZK 110,000,000 carry a fixed interest rate of 4.15%, and mature on 31 December 2019.

The following table provides the bonds subscribed by Sub-Funds as at 31 December 2017:

Fund	Amount (CZK)	Interest rate	Maturity
Finep Harfa Fund	222,000,000	4.15%	31 December 2019
Finep Prosek Fund	30,000,000	3.95%	27 December 2018
	110,000,000	4.15%	31 December 2019
	52,000,000	4%	31 December 2020
	40,000,000	4%	31 December 2020
	232,000,000		
Finep Barrandov Fund	485,000,000	3.95%	27 December 2018
	70,000,000	4%	31 December 2020
	300,000,000	4%	31 December 2021
	855,000,000		

5. TRADE AND OTHER RECEIVABLES

	PRAGUE DEVELOPMENT SICAV PLC		Finep Harfa Fund		Finep Prosek Fund		Finep Barrandov Fund	
	2017	2016	2017	2016	2017	2016	2017	2016
	CZK	CZK	CZK	CZK	CZK	CZK	CZK	CZK
Dividend income receivable from subsidiary	30,643,633	11,903,770	-	6,738,760	2,649,702	4,605,614	27,993,931	559,396
Taxation prepaid	5,476,535	4,520,938	5,476,535	-	-	2,176,838	-	2,344,100
Other prepayments	47,890	36,131	18,173	16,523	17,727	14,619	11,990	4,989
Interest receivable	8,234,198	180,006	4,644,362	126,205	2,788,110	53,801	801,726	-
Intra-SICAV transactions	10,347	-	10,347	-	-	-	-	-
	44,412,603	16,640,845	10,149,417	6,881,488	5,455,539	6,850,872	28,807,647	2,908,485

Notes to the Financial Statements

6. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, the year-end cash and cash equivalents comprise bank balances held at call as follows:

	2017 CZK	% of net assets	2016 CZK	% of net assets
Prague Development				
Cash at bank	126,551,973	9.19	97,924,780	17.54
Finep Harfa Fund				
Cash at bank	4,620,592	2.52	2,888,877	0.97
Finep Prosek Fund				
Cash at bank	95,600,517	29.50	91,251,233	55.71
Finep Barrandov Fund				
Cash at bank	26,300,864	3.02	3,754,670	3.84

7. DEFERRED TAX LIABILITY

	Finep Barrandov Fund	
	2017 CZK	2016 CZK
Revaluation of investment property held by FINEP BARRANDOV ZÁPAD k.s.	15,669,694	-

8. LOAN PAYABLE

Loans amounting to CZK 60,000,000 carrying interest at 1 year PRIBOR + 0.50% that were outstanding as at 31 December 2016 were settled during 2017. During the year under review, Finep Harfa Fund took another loan amounting to CZK 130,000,000 carrying an interest rate of 4.15%, maturing on 31 December 2018. CZK 4,000,000 was repaid on 14 December 2017 leaving an outstanding amount of CZK 126,000,000 by the end of the year.

9. TRADE AND OTHER PAYABLES

	PRAGUE DEVELOPMENT SICAV PLC		Finep Harfa Fund		Finep Prosek Fund		Finep Barrandov Fund	
	2017 CZK	2016 CZK	2017 CZK	2016 CZK	2017 CZK	2016 CZK	2017 CZK	2016 CZK
Accrued expenses	834,172	887,996	269,122	286,832	272,952	277,090	292,098	324,074
Taxation payable	30,333,159	11,499,890	-	11,499,890	5,885,498	-	24,447,661	-
Other creditors	3,718,986	6,321,478	125,042	-	3,491,783	5,555,736	102,161	765,742
Interest payable	3,761,833	-	3,761,833	-	-	-	-	-
Intra-SICAV transactions	10,346	-	-	-	5,175	-	5,171	-
	38,658,496	18,709,364	4,155,997	11,786,722	9,655,408	5,832,826	24,847,091	1,089,816

Notes to the Financial Statements

10. SHARE CAPITAL

The Company may issue up to a maximum of 5,000,000,000 fully paid-up shares without any nominal value assigned to them.

Founder Shares

The issued share capital of the Company is CZK 30,000 divided into 1,000 shares with no nominal value. The Founder shares carry the right to one vote each and rank *pari passu* among themselves in all respects. The Founder shares do not carry a right to participate in any dividends or other distributions of the Company or in the assets of the Company on a winding up (other than the return of the paid up capital after payment of all amounts due to the Investor Shares).

Transactions in redeemable shares for the years ended 31 December 2017 and 2016 were as follows:

	Finep Harfa Fund	Finep Prosek Fund	Finep Barrandov Fund
	No. of shares	No. of shares	No. of shares
Redeemable shares at 01 January 2016	1,065.00	2,500	625,000
Issue of redeemable shares during the year	48,000.00	60,000.00	375,000.00
Redemption of redeemable shares during the year	(254.16)	-	-
Redeemable shares at 31 December 2016	48,810.84	62,500.00	1,000,000.00
Redeemable shares at 01 January 2017	48,810.84	62,500.00	1,000,000.00
Issue of redeemable shares during the year	-	-	-
Redemption of redeemable shares during the year	-	-	-
Redeemable shares at 31 December 2017	48,810.84	62,500.00	1,000,000.00

The redeemable shares do not carry any voting rights and rank *pari passu* among themselves in all respects. The redeemable shares participate in the assets of the respective Fund and in any dividends, and distributions of the Company relating to the respective Fund, upon liquidation.

11. DIVIDENDS

During the year under review, Finep Harfa Fund distributed dividends amounting to CZK 120,000,000 (2016: CZK 68,000,000). These were considered as a distribution of profits and have been recognised as distributions out of the statement of profit or loss and other comprehensive income.

During the year under review, Finep Prosek Fund distributed dividends amounting to CZK 90,000,000 (2016: CZK 60,000,000). These were considered as a distribution of profits and have been recognised as distributions out of the statement of profit or loss and other comprehensive income.

During the year under review, no dividends were distributed by Finep Barrandov Fund (2016: CZK 5,000,000). These were considered as a distribution of profits and have been recognised as distributions out of the statement of profit or loss and other comprehensive income.

The total number of redeemable shares as at 31 December 2017 and 2016 amounts to 48,810.84 for Finep Harfa Fund, 62,500 for Finep Prosek Fund and 1,000,000 for Finep Barrandov Fund.

	Date	Distribution per share	Distribution paid
Finep Harfa Fund	31 Dec 2017	CZK 2,458	CZK 120,000,000
Finep Harfa Fund	31 Dec 2016	CZK 1,393	CZK 68,000,000
Finep Prosek Fund	31 Dec 2017	CZK 1,440	CZK 90,000,000
Finep Prosek Fund	31 Dec 2016	CZK 960	CZK 60,000,000
Finep Barrandov Fund	31 Dec 2017	-	-
Finep Barrandov Fund	31 Dec 2016	CZK 5	CZK 5,000,000

Notes to the Financial Statements

12. DIVIDEND AND INTEREST INCOME

	PRAGUE DEVELOPMENT SICAV PLC		Finep Harfa Fund		Finep Prosek Fund		Finep Barrandov Fund	
	2017 CZK	2016 CZK	2017 CZK	2016 CZK	2017 CZK	2016 CZK	2017 CZK	2016 CZK
Dividend earned from subsidiary carried at cost	1,078,015,706	355,903,769	2,000,000	240,738,759	263,021,775	114,605,614	812,993,931	559,396
Interest income	15,061,596	725,740	9,187,484	128,079	5,066,780	55,541	807,332	542,120
	1,088,890,541	356,629,509	11,187,484	240,866,838	268,088,555	114,661,155	813,801,263	1,101,516

13. FEES

Auditors' remuneration

Auditors' remuneration amounted to CZK 316,317 (2016: CZK 334,788) (incl. VAT). Charges for other services amounted to CZK 39,857 (2016: CZK 36,507) (incl. VAT).

14. INCOME TAX (EXPENSE) / REFUND

	PRAGUE DEVELOPMENT SICAV PLC		Finep Harfa Fund		Finep Prosek Fund		Finep Barrandov Fund	
	2017 CZK	2016 CZK	2017 CZK	2016 CZK	2017 CZK	2016 CZK	2017 CZK	2016 CZK
Current foreign tax expense	(38,016,421)	(17,365,983)	144,025	(12,002,290)	(13,198,585)	(5,413,762)	(24,961,861)	50,069
Deferred tax (Note 7)	(15,669,694)	-	-	-	-	-	(15,669,694)	-
	(53,686,115)	(17,365,983)	144,025	(12,002,290)	(13,198,585)	(5,413,762)	(40,631,555)	50,069

15. RELATED PARTIES

Shareholding

Finep Holding, SE is the ultimate controlling party of PRAGUE DEVELOPMENT SICAV PLC. It holds 60% of the founder shares and 80% of the redeemable shares. Erdex a.s. holds 40% of the founder shares and 20% of the redeemable shares. Erdex a.s. is 100% owned by Finep Holding, SE.

Management and investment committee agreement

PRAGUE DEVELOPMENT SICAV PLC is self-managed by an appointed Investment Committee made up of three members. Štěpán Havlas, Michal Kocian and Alberto Miceli Farrugia, who are the directors of PRAGUE DEVELOPMENT SICAV PLC, are also members of the investment committee. Alberto Miceli Farrugia resigned as from 2 January 2018 both as director and investment committee member. During the year end 31 December 2017, the directors fees amounted to CZK 35,704 (2016: CZK 36,917) for Finep Harfa Fund, CZK 36,224 (2016: CZK 37,466) for Finep Prosek Fund and CZK 37,716 for Finep Barrandov Fund (2016: CZK 39,092). The investment committee fees amounted to CZK 87,061 (2016: CZK 90,392) for Finep Harfa Fund, CZK 102,414 (2016: CZK 106,334) for Finep Prosek Fund and CZK 180,243 for Finep Barrandov Fund (2016: CZK 188,156). As at 31 December 2017, there were global outstanding investment committee fees and directors' fees amounting to CZK 100,386 at SICAV level (2016: CZK 107,355), CZK 24,527 (2016: CZK 25,959) attributable to Finep Harfa Fund, CZK 28,356 (2016: CZK 30,011) attributable to Finep Prosek Fund and CZK 47,503 (2016: CZK 51,385) attributable to Finep Barrandov Fund.

Notes to the Financial Statements

15. RELATED PARTIES (continued)

Share of profits/losses earned/incurred from subsidiaries

Fund	Subsidiary	Profit/(loss) 2017 CZK	Profit/(loss) 2016 CZK	Outstanding 2017 CZK	Outstanding 2016 CZK
Finep Harfa	Finep Harfa k.s.	(125,042)	228,738,759	(125,042)	6,738,759
Finep Harfa	Eurogiro Finance CZ s.r.o.	2,000,000	12,000,000	-	-
Finep Prosek	Prosek Bytova Ltd. Partnership	(97,918)	3,110,691	(97,918)	3,110,691
Finep Prosek	Finep Prosek Ltd. Partnership	(74,169)	(4,522,651)	(74,169)	(4,522,651)
Finep Prosek	Prosek Park V Ltd. Partnership	(3,247,435)	111,494,923	(3,247,435)	1,494,923
Finep Prosek	Prosek Park II Ltd. Partnership	1,042,934	(1,019,681)	1,042,934	(1,019,681)
Finep Prosek	Finep Prosek Bytova k.s.	565,505	-	565,505	-
Finep Prosek	Finep Prosek k.s.	31,041,263	-	1,041,263	-
Finep Prosek	Finep Prosek Bytova 2 k.s.	116,014,191	-	-	-
Finep Prosek	Finep Prosek Bytova 5 k.s.	114,357,882	-	-	-
Finep Prosek	Finep Prosek Bytova 10 k.s.	(56,934)	(13,404)	(70,339)	(13,404)
Finep Prosek	Finep Prosek Bytova 12 k.s.	(1,925)	-	(1,925)	-
Finep Barrandov	Kaskady Barrandov Ltd. Partnership	(102,161)	(99,269)	(102,161)	(99,269)
Finep Barrandov	Finep Barrandov Zapad k.s.	306,739,763	559,396	6,739,763	559,396
Finep Barrandov	Finep Barrandov Bytova k.s.	339,593	(3,888)	339,593	(3,888)
Finep Barrandov	Verano Real k.s.	505,914,575	(662,585)	20,914,575	(662,585)

The outstanding amounts are unsecured, interest free and repayable on demand.

Loans to/from subsidiaries

The following table shows the loan amounts to/(from) its subsidiaries outstanding as at 31 December 2017 and:

Sub-Fund	Subsidiary	Loan amount (CZK) 2017	Loan amount (CZK) 2016
Finep Harfa Fund	Finep Harfa k.s.	222,000,000	222,000,000
	Finep Harfa k.s.	(126,000,000)	-
		96,000,000	222,000,000
Finep Prosek Fund	Finep Prosek Bytova 10 k.s.	52,000,000	-
	Finep Prosek Bytova k.s.	40,000,000	(40,000,000)
	Finep Prosek k.s.	30,000,000	-
	Finep Prosek Park V Ltd. Partnership	110,000,000	110,000,000
	Finep Prosek Park II Ltd. Partnership	-	1,000,000
		232,000,000	71,000,000
Sub-Fund	Subsidiary	Loan amount (CZK) 2017	Loan amount (CZK) 2016
Finep Barrandov Fund	Finep Barrandov Zapad k.s.	300,000,000	-
	Finep Barrandov Zapad k.s.	70,000,000	-
	Verano Real k.s.	485,000,000	-
	Finep Holding se	-	(20,000,000)
		855,000,000	(20,000,000)

All above loans are unsecured. Further details of the loans are stated in notes 4 and 8.

Notes to the Financial Statements

16. FINANCIAL INSTRUMENTS

The funds are exposed to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Funds' exposure to each of the above risks, the Funds' objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

Risk management framework

The Funds' investment portfolios comprise of unlisted equity which have been classified as investment in subsidiary and debt securities. The Funds' investment committees have been given discretionary authority to manage the assets in line with the Funds' investment objectives. The nature and extent of the financial instruments outstanding at the balance sheet date and the risk management policies employed are discussed below.

Market price risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The performance of the Funds will be affected by a number of market risks relating to the immovable property market in Czech Republic. Immovable property historically has experienced fluctuations and cycles in value and such market conditions may result in reductions in the value of the assets of the Funds. The marketability and value of the immovable property held indirectly by the Funds will depend on many factors beyond the control of the Company, including global economic factors, changes in economic or political conditions in the Czech Republic, changes in interest rates and changes to the laws and regulations that apply to the particular property market. As with all investment assets, commercial property prices can be adversely affected by sharp and unexpected rises in inflation.

Interest rate risk

Interest rates can be expected to rise in such an environment which, other things being equal, would depress property values. A number of property markets have experienced declining yields over recent years, which has contributed to positive investment performance by stimulating capital growth. Future movements in property yields will depend on many factors beyond the control of the Company, including changes within the property markets and changes in interest rates. As at the end of the reporting period, 52.40% (2016 – 74.85%) of Net Asset Value of the Finep Harfa Fund, 71.58% (2016 – 43.35%) of Finep Prosek Fund, and 98.31% (2016 – 20.47%) of Finep Barrandov Fund were interest bearing. As a result, the funds are subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. The funds are exposed to fair value interest rate risk on debt instruments carrying a fixed interest rate and cash flow interest rate risk on assets carrying a floating rate of interest. The funds exposure to interest rate risk is summarised in the table below:

	FINEP HARFA FUND % NAV	FINEP PROSEK FUND % NAV	FINEP BARRANDOV FUND % NAV
Assets held at fixed rates	121.17	71.58	98.31
Assets held at variable rates	-	-	-
Liabilities held at variable rates	(68.78)	-	-
Total assets	52.39	71.58	98.31

Notes to the Financial Statements

16. FINANCIAL INSTRUMENTS *(continued)*

Currency risk

The Funds invested in financial instruments that are denominated in the same currency as their functional currency. Consequently, the Funds' exposure to risk is minimal or non-existent.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Funds, resulting in a financial loss to the Funds. It arises principally from loans and receivables and cash and cash equivalents. It is the Fund's policy to enter into financial instruments with reputable counterparties. The investment Committee's policy is to closely monitor the creditworthiness of the Fund's counterparties by reviewing their credit rating on a regular basis. The carrying value of receivables from related party, trade and other receivables and cash and cash equivalents, as disclosed in the statement of financial position represents the maximum credit exposure, hence, no separate disclosure is provided.

The investment objective of the Funds is to generate significant total returns over the long term by investing in residential development projects through Special Purpose Vehicles which have been set up specifically for this purpose. The Funds may be exposed to credit risk on its investments indirectly. The underlying assets are not exposed to concentration risk with respect to specific customers, since their revenues are generated from the sale of units on the primary market as well as for tenement followed by sale on secondary market to various customers and tenants.

The Funds' cash and cash equivalents are held mainly with Ceskoslovenska obchodni banka, a.s. which carries an A2 long-term rating by Moody's.

The Company's exposures to credit risk as at the end of the reporting period are analysed in notes 5 and 6. No financial assets carried at amortised cost were past due or impaired at 31 December 2017 and 31 December 2016.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's activities with financial instruments either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market, and liquidity risks such as those from legal and regulatory requirements and generally accepted standards of investment management behaviour. The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility is supported by the development of overall standards for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- Requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified;
- Contingency plans;
- Ethical and business standards; and
- Risk mitigation.

Notes to the Financial Statements

16. FINANCIAL INSTRUMENTS (continued)

Operational risk (continued)

The directors have established Investment Committees which shall carry out or procure appropriate and timely assessments of the investment strategies of the Company, and of the investment performance achieved, in the light of market conditions, and the Company's investment objectives, stated policies and restrictions.

Liquidity risk

Liquidity risk is the risk that the Funds will encounter difficulty in meeting obligations arising from their financial liabilities that are settled by delivering cash or other financial asset, or that such obligations will have to be settled in a manner advantageous to the Funds.

The Fund's policy and the Investment Committees' approach to managing liquidity is to have sufficient liquidity to meet their liabilities, including estimated redemptions of shares, as and when due, without incurring undue losses or risking damage to the Fund's reputation. The Funds' financial assets include unlisted equity investments, which generally are illiquid. In addition, the unlisted equity investments invest directly or indirectly in immovable property, which are relatively illiquid compared to other financial instruments, and are significantly more difficult to realise.

The investor shares may only be redeemed on any ad hoc redemption day that may be set by the directors from time to time or on the end of the divestment term. The investor shares may therefore only be suitable for those investors who are able to make a long term commitment of capital. The Company may also, in specific circumstances, suspend the determination of the net asset value, in which case the Company may be unable to redeem investor shares.

The following table summarises the maturity profile of the Fund's financial liabilities based on contractual undiscounted cash flows. The table also analyses the maturity profile of the Fund's financial assets (also undiscounted) in order to provide a complete view of the Fund's contractual commitments and liquidity.

Financial liabilities

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Fund can be required to pay.

Financial assets

Analysis of equity into maturity groupings is based on the expected date of which these assets will be realised. For other assets, the analysis into maturity groupings is based on the remaining period from the end of the reporting period to the contractual maturity date or, if earlier, the expected date on which the assets will be realised.

Notes to the Financial Statements

16. FINANCIAL INSTRUMENTS (continued)

	Less than 1 month CZK	1 to 3 months CZK	4 to 12 months CZK	1 to 5 years CZK	No fixed maturity CZK	Total CZK
FINEP HARFA FUND as at 31 December 2017						
Investment in subsidiary	-	-	-	-	76,600,000	76,600,000
Loans and receivables	-	-	-	222,000,000	-	222,000,000
Prepayments	18,173	-	-	-	-	18,173
Interest income receivable	4,644,362	-	-	-	-	4,644,362
Corporation taxation receivable	-	-	5,476,535	-	-	5,476,535
Other receivables	10,347	-	-	-	-	10,347
Bank balances	4,620,592	-	-	-	-	4,620,592
Total financial assets	9,293,474	-	5,476,535	222,000,000	76,600,000	313,370,009
Loans payable	-	-	126,000,000	-	-	126,000,000
Accruals	269,122	-	-	-	-	269,122
Other payables	-	125,042	-	-	-	125,042
Interest payable	-	-	3,761,833	-	-	3,761,833
Total financial liabilities	269,122	125,042	129,761,833	-	-	130,155,997

	Less than 1 month CZK	1 to 3 months CZK	4 to 12 months CZK	1 to 5 years CZK	No fixed maturity CZK	Total CZK
FINEP HARFA FUND as at 31 December 2016						
Investment in subsidiary	-	-	-	-	76,600,000	76,600,000
Loans and receivables	-	-	-	222,000,000	-	222,000,000
Dividends receivable	-	6,738,760	-	-	-	6,738,760
Prepayments	16,523	-	-	-	-	16,523
Interest income receivable	-	-	-	126,205	-	126,205
Bank balances	2,888,877	-	-	-	-	2,888,877
Total financial assets	2,905,400	6,738,760	-	222,126,205	76,600,000	308,370,365
Accruals	286,832	-	-	-	-	286,832
Corporation taxation due	-	11,499,890	-	-	-	11,499,890
Total financial liabilities	286,832	11,499,890	-	-	-	11,786,722

	Less than 1 month CZK	1 to 3 months CZK	4 to 12 months CZK	1 to 5 years CZK	No fixed maturity CZK	Total CZK
FINEP PROSEK FUND as at 31 December 2017						
Investment in subsidiary	-	-	-	-	720,000	720,000
Loans and receivables	-	-	30,000,000	202,000,000	-	232,000,000
Dividends receivable	-	2,649,702	-	-	-	2,649,702
Prepayments	17,727	-	-	-	-	17,727
Interest receivable	-	-	2,788,110	-	-	2,788,110
Bank balances	95,600,517	-	-	-	-	95,600,517
Total financial assets	95,618,244	2,649,702	32,788,110	202,000,000	720,000	333,776,056
Corporation tax due	-	-	5,885,498	-	-	5,885,498
Other creditors	5,175	3,491,783	-	-	-	3,496,958
Accruals	272,952	-	-	-	-	272,952
Total financial liabilities	278,127	3,491,783	5,885,498	-	-	9,655,408

Notes to the Financial Statements

16. FINANCIAL INSTRUMENTS (continued)

	Less than 1 month CZK	1 to 3 months CZK	4 to 12 months CZK	1 to 5 years CZK	No fixed maturity CZK	Total CZK
FINEP PROSEK FUND as at 31 December 2016						
Investment in subsidiary	-	-	-	-	520,000	520,000
Loans and receivables	-	-	-	111,000,000	-	111,000,000
Dividends receivable	-	4,605,614	-	-	-	4,605,614
Prepayments	14,619	2,176,838	-	-	-	2,191,457
Interest receivable	-	-	-	53,801	-	53,801
Bank balances	91,251,233	-	-	-	-	91,251,233
Total financial assets	91,265,852	6,782,452	-	111,053,801	520,000	209,622,105
Accruals	-	-	-	-	-	-
Loans payables	-	-	-	40,000,000	-	40,000,000
Other creditors	-	5,555,736	-	-	-	5,555,736
Accruals	-	267,918	-	9,172	-	277,090
Total financial liabilities	-	5,833,654	-	40,009,172	-	45,832,826

	Less than 1 month CZK	1 to 3 months CZK	4 to 12 months CZK	1 to 5 years CZK	No fixed maturity CZK	Total CZK
FINEP BARRANDOV FUND as at 31 December 2017						
Investment in subsidiary	-	-	-	-	80,000	80,000
Loan receivable	-	-	485,000,000	370,000,000	-	855,000,000
Dividends receivable	-	27,993,931	-	-	-	27,993,931
Interest receivable	-	-	670,219	-	-	670,219
Prepayments	131,507	-	-	-	-	131,507
Bank balances	11,990	-	-	-	-	11,990
Total financial assets	26,300,864	27,993,931	485,670,219	370,000,000	80,000	910,188,511
Deferred tax	-	-	-	-	-	-
Corporation tax due	-	-	-	15,669,694	-	15,669,694
Accruals	292,098	-	24,447,661	-	-	24,447,661
Other creditors	5,171	102,161	-	-	-	107,332
Total financial liabilities	297,269	102,161	24,447,661	15,669,694	-	40,516,785

	Less than 1 month CZK	1 to 3 months CZK	4 to 12 months CZK	1 to 5 years CZK	No fixed maturity CZK	Total CZK
FINEP BARRANDOV FUND as at 31 December 2016						
Investment in subsidiary	-	-	-	-	112,190,000	112,190,000
Dividends receivable	-	559,396	-	-	-	559,396
Prepayments	4,989	2,344,100	-	-	-	2,349,089
Bank balances	3,754,670	-	-	-	-	3,754,670
Total financial assets	3,759,659	2,903,496	-	-	112,190,000	118,853,155
Loans payable	-	-	-	20,000,000	-	20,000,000
Accruals	318,469	-	-	5,605	-	324,074
Other payables	-	765,742	-	-	-	765,742
Total financial liabilities	318,469	765,742	-	20,005,605	-	21,089,816

Information about the scheme

1. Authorisation

The Company consists of three Funds and is authorised by the Malta Financial Services Authority as a Collective Investment Scheme pursuant to Section 6 of the Investment Services Act, 1994.

2. Investment policies

The Investment Committee of **Finep Harfa Fund** invests the assets of the Finep Harfa Fund in a residential development project in Prague 9, district of Vysocany. The Fund holds 99% interest in a special purpose vehicle registered in the Czech Republic called Finep Harfa k.s and 100% in Eurogiro Finance CZ, s.r.o., also registered in the Czech Republic. Eurogiro Finance CZ s.r.o was acquired and Finep Harfa k.s. has been set up specifically to invest in and develop Project New Harfa. The units of the project are intended for sale on primary market as well as for tenement followed by sale on secondary market.

The Investment Committee of **Finep Prosek Fund** invests the assets of Finep Prosek Fund in the following entities, as described hereunder:

- 99% interest in Prosek Bytova Limited Partnership (ID No: S12109, Lampousas 1, 1095, Nicosia, Cyprus), registered in Cyprus.
- 99% interest in Finep Prosek Limited Partnership (ID No: S12223, Lampousas 1, 1095, Nicosia, Cyprus), registered in Cyprus.
- 99% interest in Prosek Park V Limited Partnership (ID No: S12225, Lampousas 1, 1095, Nicosia, Cyprus), registered in Cyprus.
- 99% interest in Prosek Park II Limited Partnership (ID No: S12268, Lampousas 1, 1095, Nicosia, Cyprus), registered in Cyprus.
- 99% interest in Finep Prosek k.s. (ID No: 26762382), registered in Czech Republic.
- 99% interest in Finep Prosek Bytova k.s. (ID No: 24716847), registered in Czech Republic.
- 99% interest in Finep Prosek Bytova 2 k.s. (ID No: 24308773), registered in Czech Republic.
- 99% interest in Finep Prosek Bytova 5 k.s. (ID No: 02574527), registered in Czech Republic.
- 98% interest in Finep Prosek Bytova 10 k.s. (ID No: 29016347), registered in Czech Republic.
- 10% interest in Finep Prosek Bytova 12 k.s (ID No: 29016380), registered in Czech Republic.

The Investment Committee of **Finep Barrandov Fund** invests the assets of Finep Barrandov Fund in four Limited Liability Partnerships, one registered in Cyprus and three in Czech Republic, as described hereunder:

- 99% interest in Kaskady Barrandov Limited Partnership (ID No: S12296, Lampousas 1, 1095, Nicosia, Cyprus) registered in Cyprus.
- 99% interest in Finep Barrandov Zapad k.s. (ID No: 27918041, Praha 1, Havlickova 1), registered in Czech Republic.
- 99% interest in Finep Barrandov Bytova k.s. (ID No: 05547776, Praha 1, Havlickova 1) registered in Czech Republic.
- 99% interest in Verano Real k.s. (ID No: 04663276, Praha 1, Havlickova 1) registered in Czech Republic.

Information about the scheme

3. Charges and other fees

- a. a subscription fee of up to CZK 8,000 which may be waived by the Directors.
- b. a redemption fee of up to CZK 8,000 which may be waived by the Directors.
- c. an annual investment committee fee of Euro 3,900 per annum for Finep Harfa Fund
- d. an annual investment committee fee of Euro 4,500 per annum for Finep Prosek Fund
- e. an annual investment committee fee of Euro 7,500 per annum for Finep Barrandov Fund
- f. an administration fee Euro 12,000 per annum per sub fund

4. Risk warnings

Market fluctuations

Investment in the Fund should be regarded as a long-term investment. The Fund's investments are subject to normal market fluctuations and risks inherent in all investments and there are no assurances that capital appreciation will occur. The price of shares and the income derived from them (if any) can, from time to time, go down as well as up and investors may not realise the amount of their initial investment. Past performance is no guarantee of future performance. The value of the Fund may fall as well as rise.

Erosion of Capital

Deduction of the initial charge means that if an investor withdraws from the investment in the short term he/she may not get back the amount he/she invested.

Currency Fluctuations

Currency fluctuations between the functional currency of the Fund, and, the investor's currency of reference, and, the currency of the underlying investments of the Fund, may adversely affect the value of investments and the income (if any) derived therefrom.

Specific risks relevant to Prague Development

PRAGUE DEVELOPMENT SICAV PLC has a degree of indirect exposure to equity markets and carries the risks associated with investments in such markets.

5. Scheme particulars

The above details are extracted from PRAGUE DEVELOPMENT SICAV PLC Prospectus dated 06 November 2009 as revised and updated on 7 May 2012 and further revised and updated on 19 January 2016 which are available upon request from the Manager, and were current at the date of this Annual Report and Audited Financial Statements. Persons wishing to invest in Prague Development should do so on the basis of the full information contained in the Prospectus.

6. Manager's statement

In the opinion of the Manager, this Annual Report and Audited Financial Statements, contains all the information required to enable the investors to make an informed judgement of the results and activities of the Company for the year ended 31 December 2017, and does not omit any matter or development of significance.

