

**Alpha Quest Funds SICAV p.l.c.**

**Interim Combined Financial Statements**

**For the period from 28 November 2016 to 31 December 2016**

Company Registration Number: SV 430

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# Alpha Quest Funds SICAV p.l.c

## Directors, Officers, and other information

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|                                    |   |
|------------------------------------|---|
| <b>Directors</b>                   | Dr. Frank Chetcuti Dimech<br>Mr. Joseph Xuereb<br>Mr. Adrian Galea  |
| <b>Registered Office</b>           | Level 1<br>Blue Harbour Business Centre<br>Ta' Xbiex Yacht Marina<br>Ta' Xbiex XBX 1027<br>Malta  |
| <b>Company Registration Number</b> | SV430   |
| <b>Administrator and Registrar</b> | Amicorp Fund Services Malta Limited<br>Level 1<br>Blue Harbour Business Centre<br>Ta' Xbiex Yacht Marina<br>Ta' Xbiex XBX 1027<br>Malta |
| <b>Company Secretary</b>           | Amicorp Services Limited<br>Level 1<br>Blue Harbour Business Centre<br>Ta' Xbiex Yacht Marina<br>Ta' Xbiex XBX 1027<br>Malta            |
| <b>Investment Committee</b>        | Mr. Joseph Xuereb<br>Mr. Mark L. Zammit<br>Mr. Joseph Formosa   |
| <b>Custodian</b>                   | Bank of Valletta p.l.c.<br>BOV Centre<br>Cannon Road<br>Santa Venera SVR 9030<br>Malta  |
| <b>Statutory Auditors</b>          | KPMG<br>Portico Building<br>Marina Street<br>Pieta PTA 9044<br>Malta  |

# Alpha Quest Funds SICAV p.l.c

**Alpha Quest Funds SICAV p.l.c.**  
**Combined Statement of Financial Position**  
**As at 31 December 2016**

|  |          | Alpha Quest<br>Funds<br>SICAV plc | Alpha Quest<br>Balanced<br>Fund | Alpha Quest<br>Opportunity<br>Fund |
|--|----------|-----------------------------------|---------------------------------|------------------------------------|
|  | Combined | 31.XII.16                         | 31.XII.16                       | 31.XII.16                          |
|  | EUR      | EUR                               | EUR                             | EUR                                |
| <b>Assets</b>  |          |                                   |                                 |                                    |
| <b>Current assets</b>  |          |                                   |                                 |                                    |
| Cash and cash equivalents                                      | 5        | 1 308 473                         | 1 000                           | 307 473                            |
| Financial assets at fair value through profit or loss          | 11       | -                                 | -                               | 5 928 721                          |
| Restitution points   | 12       | 21 179 672                        | -                               | 21 179 672                         |
| <b>Total assets</b>  |          | <b>22 488 145</b>                 | <b>1 000</b>                    | <b>21 487 145</b>                  |
| <b>Equity and Liabilities</b>                                  |          |                                   |                                 |                                    |
| <b>Share Capital and Reserves</b>                              |          |                                   |                                 |                                    |
| Share Capital  | 6        | 1 000                             | 1 000                           | -                                  |
| Accumulated losses   |          | (11 180)                          | (11 180)                        | -                                  |
| <b>Total equity</b>  |          | <b>(10 180)</b>                   | <b>(10 180)</b>                 | <b>-</b>                           |
| <b>Current liabilities</b>                                     |          |                                   |                                 |                                    |
| Bonds issued   | 13       | 11 116 355                        | -                               | 17 045 076                         |
| Other payables   | 14       | 54 852                            | 11 180                          | 21 836                             |
| <b>Net assets attributable to holders of redeemable shares</b> | 7        | <b>11 327 119</b>                 | <b>11 180</b>                   | <b>4 420 233</b>                   |
| <b>Total liabilities</b>                                       |          | <b>22 498 326</b>                 | <b>11 180</b>                   | <b>6 928 855</b>                   |
| <b>Total equity and liabilities</b>                            |          | <b>22 488 146</b>                 | <b>1 000</b>                    | <b>6 928 721</b>                   |

The accompanying notes are an integral part of these interim combined financial statements.

The interim combined financial statements on pages 2 to 19 were approved and authorised for issue by the Board of Directors on 5 December 2016 and were signed on its behalf by:



Dr. Frank Chetcuti Dimech  
Director



Mr. Joseph Xuereb  
Director

# Alpha Quest Funds SICAV p.l.c

## Alpha Quest Funds SICAV p.l.c. Combined Statement of Comprehensive Income For the period ended 31 December 2016

|   |           | Alpha Quest<br>Funds SICAV<br>plc | Alpha Quest<br>Balanced Fund | Alpha Quest<br>Opportunity<br>Fund |
|---|-----------|-----------------------------------|------------------------------|------------------------------------|
|   | Combined  | 31.XII.16                         | 31.XII.16                    | 31.XII.16                          |
|   | 31.XII.16 | 31.XII.16                         | 31.XII.16                    | 31.XII.16                          |
|   | EUR       | EUR                               | EUR                          | EUR                                |
| <b>Income</b>   |           |                                   |                              |                                    |
| Net loss on financial assets at fair value through profit or loss                         | 16        | (78 680)                          | -                            | (78 680)                           |
| Interest income   | 15        | 100 765                           | -                            | 7 402                              |
| <b>Net investment income</b>  |           | <b>22 085</b>                     | <b>-</b>                     | <b>(71 278)</b>                    |
| <b>Expenditure</b>  |           |                                   |                              |                                    |
| Interest expense  | 16        | (13 878)                          | -                            | -                                  |
| FX losses   | 16        | (61 402)                          | -                            | -                                  |
| Other operating expenses  | 17        | (54 867)                          | (11 180)                     | (21 836)                           |
| <b>Total operating expenses</b>   |           | <b>(130 147)</b>                  | <b>(11 180)</b>              | <b>(21 836)</b>                    |
| <b>Loss for the period</b>  |           | <b>(11 180)</b>                   | <b>(11 180)</b>              | <b>-</b>                           |
| <b>Net increase/(decrease) in net assets attributable to holders of redeemable shares</b> |           | <b>(96 882)</b>                   | <b>-</b>                     | <b>(93 114)</b>                    |

The accompanying notes are an integral part of these interim combined financial statements.

# Alpha Quest Funds SICAV p.l.c

## Alpha Quest Funds SICAV p.l.c.

### Combined Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares

For the period ended 31 December 2016

|  | Alpha Quest<br>Balanced<br>Fund<br>31.XII.16<br>EUR | Alpha Quest<br>Opportunity<br>Fund<br>31.XII.16<br>EUR |
|--|---|--|
| Balance as at the beginning of the period  | -   | -  |
| Issue of redeemable shares during the period   | 4 424 000   | 7 000 000  |
| Redemption of redeemable shares during the period  | -   | -  |
| <b>Transactions with holders of redeemable shares</b>                                      | <b>4 424 000</b>                                    | <b>7 000 000</b>                                       |
| Increase/(decrease) in net assets attributable to holders of redeemable shares             | (3 767)   | (93 114)   |
| <b>Net assets as at the end of the period attributable to holders of redeemable shares</b> | <b>4 420 233</b>                                    | <b>6 906 885</b>                                       |

The accompanying notes are an integral part of these interim combined financial statements.

# Alpha Quest Funds SICAV p.l.c

## Alpha Quest Funds SICAV p.l.c. Combined Statement of Changes in Equity

For the period ended 31 December 2016

|  | Share<br>Capital<br>31.XII.16<br>EUR | Accumulated<br>losses<br>31.XII.16<br>EUR | Alpha Quest<br>Funds SICAV<br>plc<br>31.XII.16<br>EUR |
|--|--------------------------------------|---|---|
| Balance as at the beginning of the period  | -                                    | -   | -   |
| <b>Transaction with owners</b>             |                                      |   |   |
| Issue of share capital                     | 1 000                                | -   | 1 000   |
| <b>Comprehensive income</b>                |                                      |   |   |
| Loss for the period                        | -                                    | (11 180)                                  | (11 180)  |
| <b>Balance as at the end of the period</b> | <b>1 000</b>                         | <b>(11 180)</b>                           | <b>(10 180)</b>                                       |

The accompanying notes are an integral part of these interim combined financial statements.

# Alpha Quest Funds SICAV p.l.c

## Alpha Quest Funds SICAV p.l.c. Combined Statement of Cash Flows For the period ended 31 December 2016

|   | Combined<br>31.XII.16<br>EUR | Alpha Quest<br>Funds SICAV<br>plc<br>31.XII.16<br>EUR | Alpha Quest<br>Balanced<br>Fund<br>31.XII.16<br>EUR | Alpha Quest<br>Opportunity<br>Fund<br>31.XII.16<br>EUR |
|---|------------------------------|---|---|--|
| <b>Cash flows from operating activities</b>                       |                              |   |   |  |
| Operating expenses paid   | (58 337)                     | -   | (58 337)  | -  |
| Purchase of restitution points                                    | (21 078 328)                 | -   | (21 078 328)  | -  |
| Purchase of investment  | -                            | -   | -   | (6 000 000)  |
| <b>Net cash (outflows)/inflows from operating activities</b>      | <b>(21 136 664)</b>          | <b>-</b>  | <b>(21 136 664)</b>                                 | <b>(6 000 000)</b>                                     |
| <b>Cash flows from financing activities</b>                       |                              |   |   |  |
| Issue of share capital  | 1 000                        | 1 000   | -   | -  |
| Proceeds from issue of bonds                                      | 11 023 796                   | -   | 17 023 796  | -  |
| Amounts received on subscription of shares                        | 11 424 000                   | -   | 4 424 000   | 7 000 000  |
| <b>Net cash inflows from financing activities</b>                 | <b>22 448 796</b>            | <b>1 000</b>  | <b>21 447 796</b>                                   | <b>7 000 000</b>                                       |
| Net increase in cash and cash equivalents                         | 1 312 132                    | 1 000   | 311 132   | 1 000 000  |
| Cash and cash equivalents at beginning of period                  | -                            | -   | -   | -  |
| Effect of exchange rate fluctuations in cash and cash equivalents | (3 659)                      | -   | (3 659)   | -  |
| <b>Cash and cash equivalents at end of period</b>                 | <b>1 308 473</b>             | <b>1 000</b>  | <b>307 473</b>                                      | <b>1 000 000</b>                                       |

The accompanying notes are an integral part of these interim combined financial statements.



# Alpha Quest Funds SICAV p.l.c

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# Alpha Quest Funds SICAV p.l.c

## Notes to the interim combined financial statements For the period from 28 November 2016 to 31 December 2016

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### 1 Reporting entity

Alpha Quest Funds SICAV p.l.c. (the "Company") is organized under the laws of Malta as an investment company with variable share capital (SICAV) incorporated in accordance with the terms of the Companies Act, 1995 (Chapter 386, Laws of Malta) on November 28, 2016, with registration number SV430. The Company is licensed and regulated by the Malta Financial Services Authority ("MFSA") under the Investment Services Act (CAP. 370, Laws of Malta) as a Professional Investor Fund which targets Qualifying Investors as set out in the relevant Offering Supplement.

As at reporting date, the Company has constituted two sub-funds, the Alpha Quest Balanced Fund and the Alpha Quest Opportunity Fund (the "Sub-funds"), which were both licensed on 30 November 2016. The Sub-funds are not separate legal entities.

Collectively the Company and the Sub-funds are referred to as the "Fund".

### 2 Basis of preparation

#### 2.1 Purpose of these Interim Combined Financial Statements

These interim combined financial statements are prepared solely in connection with the offering memorandum and may not be suitable for any other purpose.

#### 2.2 Statement of compliance

These interim combined financial statements have been prepared and presented in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") (the "applicable framework"). All references in these interim combined financial statements to IAS, IFRS or SIC/IFRIC interpretations refer to those adopted by the EU.

The first financial year-end of the Company in accordance with the terms of the Companies Act, 1995 (Chapter 386, Laws of Malta) is 31 December 2017, and therefore these interim combined financial statements should not be considered as the statutory financial statements, since the reporting period of these interim combined financial statements is for a shorter period.

Financial information of the Sub-funds are reported along with financial information of the Company in form of interim combined financial statements. "Combined" means that financial information of the Company and each Sub-fund stated separately is added together in another column of the interim combined financial statements and all intra-fund transactions (i.e. between the Company and Sub-funds) were eliminated.

#### 2.3 Basis of measurement

The interim combined financial statements have been prepared on the historical cost basis, except for financial instruments at fair value through profit or loss, which are measured at their fair value, and restitution points, which are measured at discounted value of the redemption right.

#### 2.4 New standards and interpretations

A number of new standards, amendments to standards and interpretations have not yet become effective or have not yet been adopted by the EU for beginning of current reporting period and have thus not been applied in the preparation of these interim combined financial statements:

*IFRS 9 – Financial Instruments* (effective for accounting period beginning on or after 1 January 2018, to be applied retrospectively – not yet endorsed by the EU) issued in November 2009 contains new requirements regarding the classification and the measurement of financial assets. An amendment from October 2010 contains new requirements regarding the classification and the measurement of financial liabilities and derecognition. An amendment from November 2013 contains a new hedge accounting model. The final version of the standard was issued in June 2014. The key requirements are summarised below:

- In line with the IFRS 9 requirements regarding the classification and measurement, all recognised financial assets that currently fall under IAS 39 Financial Instruments: Recognition and Measurement will be subsequently measured either at amortised cost or at fair value. Specifically:

# Alpha Quest Funds SICAV p.l.c

## Notes to the interim combined financial statements For the period from 28 November 2016 to 31 December 2016

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- A debt instrument that is (i) held within a business model whose objective is to collect contractual cash flows, and (ii) that has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at amortised book value (less any impairments), unless the asset is designated at fair value through profit or loss (FVTPL) under the fair value option.
- A debt instrument that is (i) held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) whose contractual terms of the financial asset on specified dates give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at fair value through other comprehensive income (FVTOCI) unless the asset is designated at FVTPL under the fair value option.
- All other debt instruments must be measured at fair value through profit or loss.
- Impairment requirements are based on the expected credit losses model (ECL), which replaces the incurred losses model under IAS 39.

The Directors of the Fund expects IFRS 9 to be adopted in the statutory financial statements for the reporting period beginning on 1 January 2018. At the same time, the Fund will assess the impact of this standard on its financial statements.

### 2.5 Functional and presentation currency

The interim combined financial statements are presented in Euro (EUR), which is the functional currency of the Company, rounded to the nearest unit.

### 2.6 Use of assumptions, estimates and judgements

The preparation of interim combined financial statements in conformity with IFRS requires the directors to make judgments, estimates and assumptions that affect both 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate was revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In the opinion of the Directors, the accounting estimates and judgements made in the course of preparing these interim combined financial statements are not difficult to reach, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 34 Interim Financial Reporting, except for those relating to the Alpha Quest Balanced Fund. Information about assumptions taken into consideration and that relate to the determination of the discounted value of the restitution points held by the Alpha Quest Balanced Fund are included in note 10.

## 3 Significant accounting policies

The same accounting policies applied for these interim combined financial statements shall be applied in the Company's first annual statutory financial statements as at 31 December 2017, although there might be a possibility that such accounting policies applied for these interim combined financial statements might change before the annual statutory financial statements are presented. If a decision is made to change a policy mid-year, the change is implemented retrospectively, and previously reported interim data is restated.

### 3.1 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are retranslated to the functional currency at the spot exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the Statement of comprehensive income.

# Alpha Quest Funds SICAV p.l.c

## Notes to the interim combined financial statements For the period from 28 November 2016 to 31 December 2016

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### 3.2 Interest income and interest expense

Interest income and expense include interest income and expenses from debt instruments and unwinded discount for the restitution points.

### 3.3 Fees and commission expenses

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

### 3.4 Financial instruments

#### 3.4.1 Non-derivative financial assets

The Fund recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset. Other financial assets and financial liabilities are recognised on the date on which they are originated.

Financial assets and financial liabilities at fair value through profit or loss are initially recognized at fair value, with transaction costs recognized in profit or loss. Financial assets or financial liabilities not at fair value through profit or loss are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue.

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when the Company has a current legal enforceable right to set off the recognised amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### **Derecognition**

A financial asset (or, where applicable a part of a financial asset or part of a Sub-fund of similar financial assets) is derecognized where:

- The rights to receive cash flows from the asset have expired; or
- The Sub-funds have transferred their rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- Either (a) the Sub-funds have transferred substantially all the risks and rewards of the asset, or (b) the Sub-funds have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

The Sub-funds derecognize a financial liability when the obligation under the liability is discharged, cancelled or expires.

#### **Classification**

The Company classifies its financial assets and financial liabilities as mentioned below in accordance with IAS 39.

Financial assets at fair value through profit or loss:

- Designated at fair value through profit or loss upon initial recognition – debt instruments.

Financial assets at amortised cost:

- Cash and cash equivalents and receivables – cash and cash equivalents and interest income.

Cash and cash equivalents comprise of cash at bank with a contractual maturity of three months or less.

Financial liabilities at amortised cost:

- Bonds issued
- Other liabilities – other payables.

# Alpha Quest Funds SICAV p.l.c

## Notes to the interim combined financial statements For the period from 28 November 2016 to 31 December 2016

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### 3.4.2 *Non-derivative financial liabilities*

The Fund initially recognises debt securities issued and subordinated liabilities on the date that they originated. All other financial liabilities (including liabilities designated 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.

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

### 3.5 **Net gain/ loss from financial instruments at fair value through profit or loss**

Net gain/loss from financial instruments at fair value through profit or loss includes all realised and unrealised fair value changes and foreign exchange differences, but excludes interest and dividend income.

Net realised gain/loss from financial instruments at fair value through profit or loss is calculated using the average cost method.

### 3.6 **Redeemable shares**

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The Sub-funds issue redeemable shares on every dealing day defined as 31 December of each year, which are redeemable at the holder's option on every dealing day as defined above. The first dealing date shall be 31 December 2017. Such shares are classified as financial liabilities. Redeemable shares can be put back to the Sub-funds at any time for cash equal to a proportionate share of the Sub-funds' net asset value attributable to the share class. The redeemable shares are carried at the redemption amount that is payable at the statement of financial position date if the holder exercises the right to put the share back to the Sub-funds.

Redeemable shares are issued and redeemed at the holder's option at prices based on the Sub-funds' net asset value per share at the time of issue or redemption. The Sub-funds' net asset value per share is calculated by dividing the net assets attributable to the holders of each redeemable share with the total number of outstanding redeemable shares. In accordance with the provisions of the Sub-funds' regulations, investment positions are valued annually on 31 December based on the latest available dealing price for the purpose of determining the net asset value per share for subscriptions and redemptions.

### 3.7 **Taxation**

In terms of current Maltese fiscal legislation, collective investment schemes are classified as either 'prescribed' or 'non-prescribed' funds for income tax purposes. A collective investment scheme which declares that the value of its assets situated in Malta is less than eighty five per cent of the value of its total assets is treated as a non-prescribed fund. On this basis, the Company qualifies as a non-prescribed fund for Maltese income tax purposes.

Accordingly, the Company should not be subject to Maltese income tax in respect of the income or gain derived by such fund, except in respect of any income from immovable property situated in Malta, if any. Capital gains, dividends, interest and any other income from foreign investments held by the Company may nonetheless be subject to tax imposed by the country of origin concerned and any such taxes may not be recoverable by the Company or by the members under Maltese domestic tax law. The sub-funds are not a legal personality, so taxation is applied on the Company, which includes also the sub-funds.

#### *Members resident in Malta*

Capital gains realised by Maltese resident investors on the redemption, liquidation or cancellation of units may be subject to a 15% withholding tax. However, the Maltese resident investors 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.

# Alpha Quest Funds SICAV p.l.c

## Notes to the interim combined financial statements For the period from 28 November 2016 to 31 December 2016

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### *Members not resident in Malta*

Any gains accruing to members not resident in Malta upon the transfer of shares (including a redemption) or upon a distribution on a winding-up of the Company should not be subject to tax in Malta subject to certain conditions being satisfied.

The transfer of shares (including a redemption) and any distribution on a winding-up of the Company may result in a tax liability for the non-Maltese members according to the tax regime applicable in their respective countries of incorporation, establishment, residence, citizenship, nationality, domicile, or other relevant jurisdiction.

#### **4 Format of the interim combined financial statements**

In terms of Section 3(3) of the Third Schedule of the Companies Act, 1995 (Chapter 386, Laws of Malta) the layout, nomenclature and terminology of the items in these audited interim combined financial statements were adapted to the special nature of the Company. The profit and loss is referred to as the Statement of Comprehensive Income.

#### **5 Cash and cash equivalents**

Cash and cash equivalents as disclosed in the Statement of Cash Flows comprise cash deposits held with J&T Banka a.s.

The balance as at 31.12.2016 is as follows:

| <b>In EUR</b>                 | <b>31.12.2016</b> |
|-------------------------------|-------------------|
| Alpha Quest Fund SICAV p.l.c. | 1,000             |
| Alpha Quest Balanced Fund     | 307,473           |
| Alpha Quest Opportunity Fund  | 1,000,000         |

#### **6 Share capital**

The Fund's share capital is represented by the Founder Shares. The Founder shares were issued at EUR 1 each and carry the right to one vote each and shall be the only share classes in the Company carrying voting rights.

As at period end the Company had EUR 1,000 issued share capital comprising of fully paid-up shares being subscribed as follows:

- Joseph Xuereb 1,000 Voting Founder shares

#### **7 Redeemable shares**

Redeemable shares outstanding are represented by "Investor Shares" issued as Sub-class for each of the Sub-funds separately. The Investor shares do not carry any voting rights.

The maximum number of authorised investor shares of the Fund is five billion (5,000,000,000) shares without any nominal value assigned to them, which may be issued as shares of any class representing the Sub-funds.

The Redeemable shares on the Sub-funds as at 31.12.2016 are as follows:

| <b>Name of Sub Fund</b>      | <b>Redeemable shares value</b> |
|------------------------------|--------------------------------|
| Alpha Quest Balanced Fund    | 4,420,233                      |
| Alpha Quest Opportunity Fund | 6,906,885                      |

# Alpha Quest Funds SICAV p.l.c

## Notes to the interim combined financial statements For the period from 28 November 2016 to 31 December 2016

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### 8 Related parties

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

#### *Identity of related parties*

The Company has a related party relationship with its founder shareholder and director, Mr. Joseph Xuereb, who is also part of the Investment Committee of the Fund.

#### *Related party transactions and balances*

There were no other related party transactions during the financial period ended 31 December, 2016 other than the transactions mentioned in the Statement of Changes in Equity for transactions with founder shareholders and note 6.

### 9 Investment risk management

The Company is established as an investment company with variable share capital (SICAV) which implies that financial instruments are extensively used in the course of its routine business. The type of financial instruments in which the Company may invest is regulated by its Offering Memorandum investments restrictions.

The Company is an investment vehicle designed to specifically to achieve different investment objectives through its sub-funds.

#### **Alpha Quest Balanced Fund**

The investment objective of the Sub-Fund is to achieve capital appreciation primarily through investments in points representing entitlement to immovable property located in Romania with the purpose of redeeming the points so acquired into cash or re-selling the immovable property so acquired. Such investments are derived from indemnification decisions issued by the Romanian Government – National Commission for Real Estate Indemnifications, based on Law no. 165/2013 (“the Romanian Law”) regarding the measures for the completion of the restitution process, in kind or in equivalent, of the properties unlawfully seized during the Romanian communist regime, as subsequently amended. The Romanian law provides for that where restitution in kind to the former owners is not possible, the restitution request is settled by granting compensation in the form of points (hereinafter “Points”), with each point having a value of one Romanian Leu (RON 1). Starting from 1 January 2017, persons obtaining such points may use them in order to acquire immovable property from a National Fund by public auction or, for a period of five (5) years, to redeem them into cash up to a maximum of 20% of the nominal value of Points per annum. There is no time-limit for utilizing Points to acquire immovable property by public auction. The Points will be acquired on the secondary market from existing owners through a notarial deed executed and registered in Romania.

If Points are redeemed at public auctions, the Sub-fund will not enter into any co-ownership deal and will only acquire individual properties in their entirety. No Points will be acquired from any of the members of the Investment Committee and/ or any related parties to the Company.

The Sub-fund may also invest in government and corporate bonds in developed markets.

The Sub-fund may also enter into agreements with third party banks that desire to issue fixed income products linked to the Sub-fund's underlying assets and issue fixed income securities. The Sub-fund may from time to time invest unutilized cash in bonds and currency swaps. Such investments may be with various entities in various markets or industries and in different geographical locations, without limitation. Depending on market conditions, the Sub-fund may also from time to time invest in cash or money market instruments for liquidity purposes.

#### **Alpha Quest Opportunity Fund**

The Fund is exposed to market, credit and liquidity risks. This note presents information about the Fund's exposure to these risks, the Fund's objectives, policies and process for measuring and managing risk and the Fund's management of capital. Further quantitative disclosures are included throughout these interim combined financial statements.

# Alpha Quest Funds SICAV p.l.c

## Notes to the interim combined financial statements For the period from 28 November 2016 to 31 December 2016

### 9.1 Market risk

Market risk arises when changes in foreign exchange rates or equity prices affect the positions held by the Company. The Company does not regard either interest rate or commodity risks as material to its case: the Company invests neither in securities that exhibit direct interest rate sensitivity nor in commodities.

#### *Price risk*

Price risk, is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting financial instruments traded in the market. All securities present a risk of loss of capital.

The Sub-funds are exposed to market price risk arising from their investments debt instruments. At December 31, 2016, the Sub-funds' price risk is affected by two main components: changes in actual market prices and foreign currency movements.

The Company performed a sensitivity analysis of its market price exposure. The following analysis represents the Company's best estimates of the effect on net assets and profit due to a reasonably possible change in the market price of the Company's financial instruments, with all other variables held constant. In practice, the actual trading results may differ from the sensitivity analysis and the difference could be material.

If the market price of the Company's securities had increased by 5% with all other variables held constant, this would have increased net assets attributable to holders of redeemable shares. Conversely, if the market price decreased by 5%, this would have decreased net assets by an equal amount. The table below shows the increase/decrease in net assets attributable to holders of redeemable shares as at 31 December 2016.

#### **2016**

| <b>Name of Sub Fund</b>      | <b>Currency</b> | <b>Value of Assets</b> | <b>+/-5%</b> |
|------------------------------|-----------------|------------------------|--------------|
| Alpha Quest Opportunity Fund | EUR             | 5,928,722              | 296,436      |

#### *Currency risk*

The Fund invests in assets, which can be denominated in currencies other than the Euro, its functional currency.

The Fund is exposed to risks that the exchange rate of the Euro against other currencies may change in a manner that has an adverse effect on its Net Asset Value.

The Fund's total net exposure to foreign currency exchange rates at the reporting date was as follows:

#### ***All amounts stated in EUR for the Alpha Quest Balanced Fund:***

| <b>31 December 2016</b> | <b>Cash and Cash equivalents</b> | <b>Restitution points</b> | <b>Financial instruments</b> | <b>Total net exposure</b> |
|-------------------------|----------------------------------|---------------------------|------------------------------|---------------------------|
| Romanian Leu            | 1,465                            | 21,179,672                | -                            | <b>21,181,137</b>         |
| Czech Koruna            | 242,127                          | -                         | (17,045,076)                 | <b>(16,802,949)</b>       |

#### ***All amounts stated in EUR for the Alpha Quest Opportunity Fund:***

| <b>31 December 2016</b> | <b>Cash and Cash equivalents</b> | <b>Financial instruments</b> | <b>Total net exposure</b> |
|-------------------------|----------------------------------|------------------------------|---------------------------|
| Czech Koruna            | -                                | 5,928,721                    | <b>5,928,721</b>          |



# Alpha Quest Funds SICAV p.l.c

## Notes to the interim combined financial statements For the period from 28 November 2016 to 31 December 2016

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### 9.2 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 Company, resulting in a financial loss to the Company.

#### Alpha Quest Balanced Fund

The Sub-fund is the holder of uncontested and liquid claims against the Romanian State, in the amounts expressly provided within the Restitution Certificates and Decisions of Compensation. The Romanian law establishes deadlines for local entities to approve or reject claims for compensation. The legislation also establishes penalties for violation of the legislation including failure to meet compensation deadlines. The Fund monitors on a regular basis amendments on the legislation governing the compensation process.

#### Alpha Quest Opportunity Fund

The bond held by the Sub-fund was issued by the Alpha Quest Balanced Fund as described more in detail in note 11 below. The credit risk of the Sub-Fund is directly related to the credit risk on the Alpha Quest Balanced Fund since repayment of the bond depends on the compensation process of the Restitution Certificates as described more in detail in note 9.3 below.

The cash and cash equivalents of the Sub-Funds are held with J&T Banka a.s.

### 9.3 Liquidity risk

Liquidity risk arises when the Company encounters difficulty due to an inability to sell any of its investments quickly at close to fair value.

The Company's liquidity position is monitored on a regular basis. Redeemable shares are redeemed on demand at the holder's option provided that the redemption request is received by the respective Sub-fund three business days before the relevant dealing day, and if accepted by the Company, they will be dealt on every dealing day which is defined as 31 December of each year.

#### Alpha Quest Balanced Fund

Alpha Quest Balanced Fund issued bonds in nominal of CZK 460 million, out of which CZK 160 million were subscribed by the Alpha Quest Opportunity Fund. The bond's maturity date is on 22 December 2021 with fixed annual coupons of 4.5%.

The Sub-Fund is the owner of Romanian Restitution Certificates ("points") issued by Romanian State, Romania, starting in January 2017 will start the pay-out of the par value of points (1 point = 1 RON) in five annual payments (20% of the par value each year, i.e. 0.20 RON per point). Proceeds of the payments made by state will be used to satisfy the coupon payments required to be made by the issuer.

All other liabilities of the Sub-funds are due within less than one year.

### 10 Fair value information

#### *Fair value hierarchy*

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in Markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

# Alpha Quest Funds SICAV p.l.c

## Notes to the interim combined financial statements For the period from 28 November 2016 to 31 December 2016

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

| <b>2016</b>                  |                 |                         |                |                |                |
|------------------------------|-----------------|-------------------------|----------------|----------------|----------------|
| <b>Sub-Funds</b>             | <b>Currency</b> | <b>Debt instruments</b> | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> |
| Alpha Quest Opportunity Fund | EUR             | 5,928,721               | -              | -              | 5,928,721      |

### Alpha Quest Opportunity Fund

The Alpha Quest Opportunity Fund's debt instrument is represented by a non-collateralised bond issued by the Alpha Quest Balanced Fund.

### 11 Financial assets at fair value through profit or loss

As at 31.12.2016 only Alpha Quest Opportunity Fund held financial assets at fair value through profit or loss. Alpha Quest Balanced Fund held no such financial instruments.

### Alpha Quest Opportunity Fund

The Alpha Quest Opportunity Fund purchased a non-collateralised bond issued by the Alpha Quest Balanced Fund. The bond amounting to CZK 160 million has a maturity date of 22 December, 2021 with a fixed interest of 4.5% per annum.

Taking into consideration that bond issue was a private placement and that and the purchase was carried out close to the reporting date, the fair value of the bond was considered as equal to the purchase consideration plus accrued interest of the said bond.

As the bond was purchased from another Sub-fund, it is fully eliminated for interim combined financial statements purposes.

Fair value of financial assets as at 31.12.2016 is as follows:

| <b>In EUR</b>                | <b>31.12.2016</b> |
|------------------------------|-------------------|
| Alpha Quest Balanced Fund    | -                 |
| Alpha Quest Opportunity Fund | 5,928,721         |

### 12 Restitution points

On 2 December 2016, the Company, on behalf of the Alpha Quest Balanced Fund entered into an Assignment Agreement (the "Agreement") with J&T IB and Capital Markets a.s. (the "Assignor"), whereby by means of this Agreement, the Assignor definitively and irrevocably assigns to the Company all of the rights that the Assignor holds over the Restitution Certificates and the Decisions of Compensations under registration described in Schedule 1 and Schedule 2 annexed to the Agreement (the "Assigned Claims").

In exchange for the Assigned Claims, the Company paid the equivalent in Czech Koruna, the amount of Romanian Leu (RON) 94,989,574.55 to the Assignor on 22 December 2016. The nominal value of Assigned Claims is RON 146,137,807.

The Restitution Certificates are the result of Law no. 165/2013 passed by the Romanian Parliament on April 2013, whereby it moves to a compensation in the form of issuing points that can be used to purchase auctioned property confiscated during the Communist regime or redeemed for cash. The holder of the points must undergo through a restitution process to exchange the points for the earmarked property or through a compensation process if restitution in kind is not possible.

The valuation technique chosen for the valuation of the Restitution Certificates held by the Alpha Quest Balanced Fund was the discounted value approach, as this was deemed to be the only applicable approach given the characteristics of the assets and the Fund's intention to achieve

# Alpha Quest Funds SICAV p.l.c

## Notes to the interim combined financial statements For the period from 28 November 2016 to 31 December 2016

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economic benefits from the assets by way of redeeming them through forward claims against the Romanian State which will be compensated in cash, over the next five years in equal tranches of 20% of the total number of points it owns. It was also assumed that such claims shall be made at the beginning of each year, no later than 1 February of the respective year with cash received in 180 days after registering the claim with the Ministry of Finance, under the provisions of the Romanian Law.

To estimate the discounted value of the assets, the discounted cash flow method was applied. To derive the present value of the cash flows arising from the compensation of the points as mentioned above, it was considered that the appropriate discount rate should be effective interest rate.

Based on the assumptions and analysis mentioned above, the discounted value of the Restitution points is estimated at RON 96,134,530, which was then converted into Euro, the base currency of the fund, applying the exchange rate as at reporting date.

Alpha Quest Opportunity Fund have not issued any Restitution points in the period ended 31.12.2016.

Discounted value of restitution points as at 31.12.2016 is as follows:

| In EUR                       | 31.12.2016 |
|------------------------------|------------|
| Alpha Quest Balanced Fund    | 21,179,672 |
| Alpha Quest Opportunity Fund | -          |

### 13 Bonds issued

On 22 December 2016, the Alpha Quest Balanced Fund issued a private placement bond of CZK 500 million. As at reporting date, the Sub-Fund attracted CZK 460 million, out of which CZK 160 million were subscribed by the Alpha Quest Opportunity Fund. The bond's maturity date is on 22 December 2021 with fixed annual coupons of 4.5%.

Alpha Quest Opportunity Fund have not issued any Bonds in the period ended 31.12.2016.

Net value of bonds issued after inter-fund elimination for interim combined financial statements purposes as at 31.12.2016 is as follows:

| In EUR                       | 31.12.2016          |
|------------------------------|---------------------|
| Alpha Quest Balanced Fund    | (17,045,079)        |
| Alpha Quest Opportunity Fund | 5,928,722*          |
| <b>Combined value</b>        | <b>(11,116,354)</b> |

\* Financial assets at fair value through profit or loss were eliminated for interim combined financial statements purposes.

### 14 Other payables

#### 14.1 Management fees

##### Alpha Quest Balanced Fund

The Company is entitled to receive a management fee of 3.5% per annum of the Sub-fund's net asset value, payable calculated and paid on annual basis. The Company waived the fees for the reporting period.

##### Alpha Quest Opportunity Fund

The Company is entitled to receive a management fee of 1.5% per annum of the Sub-fund's net asset value, payable calculated and paid on annual basis. The Company waived the fees for the reporting period.

# Alpha Quest Funds SICAV p.l.c

## Notes to the interim combined financial statements For the period from 28 November 2016 to 31 December 2016

### 14.2 Administration fees

The current Administrator, Amicorp Fund Services Malta Limited, is entitled to an administration fee under the terms of an agreement for each Sub-fund of the Company. The Administrator is entitled to receive the following fee on each Sub-fund:

| NAV size            | Administration fee  |
|---------------------|---|
| 0 – EUR 50 million  | EUR 10,000 p.a.   |
| Over EUR 50 million | EUR 12,000 p.a. plus 0.03% on the amount in excess of EUR 50 million. |

The administration fees for the current period for each Sub-fund amounted to EUR 833. The fees due for the reporting period are disclosed in the statement of comprehensive income and the outstanding administration fees as at 31 December 2016 amounted to EUR 833 for each Sub-fund.

The Custodian charges fees only for safekeeping in respect of listed equities and bonds, ETF's, money market instruments and units in third party Collective Investment Schemes, which are held under Custodian's global custody network, and for which Custodian has received Proper Instructions by the Investment Committee to perform such safekeeping function. As the Fund has no such instruments in portfolio there were no custodian fees paid for the period from 28 November 2016 to 31 December 2016.

### 14.3 Other payables

| 31.12.2016         | Alpha Quest<br>SICAV plc<br>EUR | Alpha Quest<br>Balanced Fund<br>EUR | Alpha Quest<br>Opportunity Fund<br>EUR |
|--------------------|---------------------------------|-------------------------------------|--|
| Formation expenses | 10,000                          | 20,000                              | 20,000                                 |
| Administration fee | -                               | 833                                 | 833                                    |
| Other payables     | 1,180                           | 1,003                               | 1,003                                  |
|                    | <u>11,180</u>                   | <u>21,836</u>                       | <u>21,836</u>                          |

### 15 Interest income

Interest income of Sub-funds consists of interest income from financial assets at fair value through profit or loss and unwinding discount of restitution points. For details refer to note 11 and 12, respectively.

Interest income of Sub-funds for the period ended as at 31.12.2016 is as follows:

| In EUR                       | 2016           |
|------------------------------|----------------|
| Alpha Quest Balanced Fund    | 100,765        |
| Alpha Quest Opportunity Fund | 7,402*         |
| <b>Combined value</b>        | <b>100,765</b> |

\* As financial assets at fair value through profit or loss were eliminated for interim combined financial statements purposes, interest income is eliminated against part of interest expense as well. For details about interest expense see note 16.

### 16 Financial expenses

Financial expenses comprise interest expense from bonds issued, net gain or loss on financial assets at fair value through profit or FX gains or losses.

Interest expense is from bonds issued by Alpha Quest Balanced Fund, see note 13. There are no other financial liabilities due by any of Sub-funds.

Net loss on financial assets at fair value through profit is caused by higher payment for the bonds as is the fair value as at 31.12.2016.

FX loss consists of translation loss from restitution points denominated in RON (EUR 57,743) and and non-EUR balances of cash (EUR 3,659).

# Alpha Quest Funds SICAV p.l.c

## Notes to the interim combined financial statements For the period from 28 November 2016 to 31 December 2016

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Financial expenses of Sub-funds for the period ended as at 31.12.2016 is as follows:

| In EUR                       | Interest<br>expense | Net loss on<br>financial assets<br>at FVTPL | FX loss         |
|------------------------------|---------------------|---|-----------------|
| Alpha Quest Balanced Fund    | (21,280)*           | -   | (61,402)        |
| Alpha Quest Opportunity Fund | -                   | (78,680)                                    | -               |
| <b>Combined value</b>        | <b>(13,878)</b>     | <b>(78,680)</b>                             | <b>(61,402)</b> |

\* As financial assets at fair value through profit or loss were eliminated for interim combined financial statements purposes, part of interest expense is eliminated against interest income as well. For details about interest income see note 15.

### 17 Other operating expenses

| 2016               | Alpha Quest<br>SICAV plc<br>EUR | Alpha Quest<br>Balanced Fund<br>EUR | Alpha Quest<br>Opportunity Fund<br>EUR |
|--------------------|---------------------------------|-------------------------------------|--|
| Formation expenses | (10,000)                        | (20,000)                            | (20,000)                               |
| Administration fee | -                               | (833)                               | (833)                                  |
| Other expenses     | (1,180)                         | (1,003)                             | (1,003)                                |
|                    | <u>(11,180)</u>                 | <u>(21,851)</u>                     | <u>(21,836)</u>                        |

### 17 Subsequent events

The Company's management is not aware of any subsequent events that could have an effect on the interim combined financial statements as at 31 December 2016.





**KPMG Česká republika Audit, s.r.o.**

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**Independent Auditor's Report to the Directors of Alpha Quest Funds SICAV p.l.c.**

***Opinion***

We have audited the accompanying interim combined financial statements of Alpha Quest Funds SICAV p.l.c. ("the Company"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, the statement of changes in equity, the statement of changes in net assets attributable to holders of redeemable shares and the cash flow statement for the period then ended, and notes to the interim combined financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1 to the interim combined financial statements.

In our opinion, the interim combined financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

***Basis for Opinion***

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with relevant ISAs and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Purpose of these Interim Combined Financial Statements***

As set out in Note 2.1 these consolidated financial statements are prepared solely in connection with the offering memorandum and may not be suitable for any other purpose.







### ***Responsibilities of the Statutory Body and Those Charged with Governance for the Financial Statements***

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

In preparing the interim combined financial statements, the statutory body is 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 statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the interim combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations 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 interim combined financial statements.

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

- Identify and assess the risks of material misstatement of the interim combined 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 statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 auditor's report to the related disclosures in the interim combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit





evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the interim combined financial statements, including the disclosures, and whether the interim combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

**Auditor Responsible for the Engagement**

KPMG Česká republika Audit, s.r.o. is the auditor responsible for the audit of the interim combined financial statements of Alpha Quest Funds SICAV p.l.c. as at 31 December 2016, based on which this independent auditor's report has been prepared.

Prague  
2 February 2017

KPMG Česká republika Audit, s.r.o.

Vladimír Dvořáček  
Partner

