Julius Meinl Living plc

C 76799

Report and consolidated financial statements

For the period 9 August 2016 to
31 December 2017

Contents

Julius Meinl Living plc

Directors, officer and other information

Directors:	Edward Camilleri Edward Carbone Bogdan Dancau (resigned 31 October 2017) Nicholas Hill Peter Weinzierl
Secretary:	Michael Scicluna
Registered office:	Office 16 Verdala Business Centre Level 1 LM Complex Brewery Street Mriehel Birkirkara BKR 3000 Malta
Country of incorporation:	Malta
Company registration number:	C 76799
Auditor:	Grant Thornton Fort Business Centre Mriehel Bypass Birkirkara BKR 3000 Malta

The directors present their report and the audited consolidated financial statements of Julius Meinl Living plc ("the Company") and its subsidiaries (the "Group") for the period ended 31 December 2017.

Incorporation and principal activities

The company was incorporated on 9 August 2016 and these consolidated financial statements cover the period from inception to 31 December 2017.

The principal activity of the Group is to invest in residential real estate in Central and Eastern Europe. During the period ended 31 December 2017, the Company, through its fully owned subsidiary Julius Meinl Living Holdings Ltd, purchased its first investment by acquiring 100% in Moravský Bytový Fond s.r.o, a Czech entity, owner of 284 residential units (including 10 garages), rented to individuals.

Performance review

During the period under review, the Group registered a profit after tax of €1,686,859 arising primarily from rental income and an increase in the fair value of investment property.

The shareholders' funds at the end of the reporting period amounted to €11,698,510

Result and dividends

The result for the period ended 31 December 2017 is shown in the consolidated statement of total comprehensive income on page 6.

No dividend is being recommended.

Future business developments

In 2017 management undertook an evaluation of the opportunities in the "living" real estate space outside its core market in the wider European region. Following this review the board decided to re-focus the Company's thrust on the serviced residences sector. It therefore took a decision in the second half of 2017 to exit from the existing residential portfolio which it had acquired in 2016.

Going forward, the Company, by itself and through its subsidiaries, will invest in and intends to become a major developer, owner and operator in the serviced residences sector.

Serviced residences are also referred to as aparthotels, extended stays, serviced apartments or all-suite hotels and constitute an established alternative to classical hotels. The growth of this subsegment of the hospitality industry has taken off mainly in the United States several years ago and has since made its showings in certain parts of Western Europe, Asia and Australia. Typically leased for periods from a few days to several months, serviced residences represent a mix between traditional hotel accommodation and residential housing; they seek to combine the advantages of a hotel, mainly central location and comfort, with those of an apartment, such as larger space, own kitchen and a work area. They are particularly well suited for corporate travellers, for whom they present a compelling alternative to hotels, particularly if they have to remain in a location for a job assignment for several weeks.

The Group aims to be one of the first movers in the serviced residences sector in the CEE, SEE and the wider European region by rolling out its concept across the capital cities of the region. It intends to introduce a new standard to the market which sharply contrasts with many of the lower quality offerings in this segment in the target markets.

The Group has identified its first project for serviced residences in Prague, Czech Republic, and has mandated a feasibility study. This report confirmed that there is a high demand for high quality serviced residences in Prague, and similarly in other major or capital cities in particular in the CEE region.

In addition, the Group plans to undertake inhouse certain ancillary activities in the area of property development and property management. These activities shall serve primarily the development of projects of the Company and its subsidiaries, but may also be deployed for projects owned by third party entities against adequate service fee income. A current example is the prestigious Grand Hotel Europa in Prague, which is currently under development and is planned to become a "W", the luxury lifestyle hotel chain owned by Marriott International.

The directors consider that the Group is able to fund its existing commitments.

Post-balance sheet events
The Company's investment held in Moravský Bytový Fond s.r.o was sold to a third party on 29 March 2018. During 2018 the Group purchased two subsidiaries: PPH Nove Mesto s.r.o. and Prague Prime Homes Management s.r.o. (after acquisition renamed to Julius Meinl Prime Homes s.r.o.)

Directors
The directors who served during the period were:

Edward Camilleri
Edward Carbone
Bogdan Dancau (resigned 31 October 2017)
Nicholas Hill
Peter Weinzierl

In accordance with the Company's articles of association, the present directors are to remain in office.

Auditor
A resolution to reappoint Grant Thornton as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

Approved by the directors and signed on 25 February 2019 by:

Edward Camilleri	***Peter Weinzierl***
Director	***Director***

Statement of directors' responsibilities

The directors are required by the Companies Act (Cap. 386) to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the EU which give a true and fair view of the state of affairs of the Group at the end of each financial year and of the profit or loss of the Group for the year then ended. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- account for income and charges relating to the accounting period on an accruals basis;
- value separately the components of asset and liability items;
- make judgements and estimates that are reasonable; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business as a going concern.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Group and which enable the directors to ensure that the financial statements comply with the Companies Act (Cap. 386). This responsibility includes designing, implementing and maintaining 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. The directors are also responsible for safeguarding the assets of the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Julius Meinl Living plc

Consolidated statement of total comprehensive income
Period ended 31 December 2017

	Notes	€
Continuing operations		
General and administrative expenses		**(900,278)**
Finance income	6	6,236
Net realised and unrealised exchange differences		107,890
		114,126
Loss from continuing operations	7	**(786,152)**
Taxation	9	(722)
Loss from continuing operations after tax		**(786,874)**
Profit from discontinued operations	18	**2,384,555**
Profit for the period		**1,597,681**
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss:		
Deferred exchange difference		89,178
Total comprehensive income		**1,686,859**
Basic/diluted (loss) earnings per share:	11	
From continuing operations		(12.95)
From discontinued operations		39.24

Julius Meinl Living plc

Consolidated statement of financial position
31 December 2017

	Notes	**€**
ASSETS AND LIABILITIES		
Non-current assets		
Goodwill	*10*	1,697,168
Investment property	*12*	-
Loans		264,241
		1,961,409
Current assets		
Receivables	*13*	22,251
Cash and cash equivalents	*14*	3,508,561
		3,530,812
Non-current assets held for sale	*18*	**12,488,617**
Total assets		**17,980,838**
Current liabilities		
Trade and other payables	*15*	67,566
Current taxation		722
		68,288
Non-current liabilities		
Bank borrowings	*16*	-
		-
Liabilities held for sale	*18*	**6,214,040**
Total liabilities		**6,282,328**
Net assets		**11,698,510**

Julius Meinl Living plc

Consolidated statement of financial position - continued
31 December 2017

	Notes	**€**
EQUITY		
Share capital	*19*	1,011,650
Share premium	*20*	9,000,001
Translation reserve	*20*	89,178
Retained earnings	*20*	1,597,681
Total equity		**11,698,510**

The notes on pages 11 to 31 form an integral part of these consolidated financial statements. These consolidated financial statements were approved by the directors, authorised for issue on 25 February 2019 and signed by:

Edward Camilleri
Director

Peter Weinzierl
Director

Julius Meinl Living plc

Consolidated statement of changes in equity
31 December 2017

	Share capital €	Share premium €	Translation reserve €	Retained earnings €	Total equity €
Issue of share capital	1,011,650	9,000,001	-	-	10,011,651
Profit for the period	-	-	-	1,597,681	1,597,681
Other comprehensive income	-	-	89,178	-	89,178
At December 2017	**1,011,650**	**9,000,001**	**89,178**	**1,597,681**	**11,698,510**

Julius Meinl Living plc

Consolidated statement of cash flows
Period ended 31 December 2017

	Note	**€**	**€**
Cash flow from operating activities			
Loss before tax			(786,152)
Working capital			
Receivables			(22,251)
Trade and other payables			67,566
			45,315
Cash flows from discontinued operations	*18*		511,640
Net cash flows from operating activities			**(229,197)**
Cash flows from investing activities			
Loans advanced			(264,241)
Payments to acquire subsidiaries			(5,256,917)
Cash flows from discontinued operations	*18*		(19,046)
Net cash flows used in investing activities			**(5,540,204**)
Cash flows from financing activities			
Issue of share capital			10,011,651
Cash flows from discontinued operations	*18*		(238,265)
Net cash flows from financing activities			**9,773,386**
Cash and cash equivalents			**4,003,985**
Cash and cash equivalents included in disposal	*18*		495,424
Cash and cash equivalents at the end of the period	*14*		3,508,561
			4,003,985

The notes on pages 11 to 31 form an integral part of these consolidated financial statements.

1. General information and statement of compliance with IFRS

Julius Meinl Living plc, a private limited company, is domiciled in Malta. These consolidated financial statements incorporate the financial statements of the Company and entities it controls (its subsidiaries) (collectively referred to as the "Group").

The consolidated financial statements have been prepared under the historical cost convention, except for investment properties and certain financial instruments which are stated at fair value, and in accordance with International Financial Reporting Standards as adopted by the EU. These consolidated financial statements have also been drawn up in accordance with the provisions of the Companies Act (Cap. 386).

2. Functional and presentation currency

These consolidated financial statements are presented in euro, which is the Company's functional currency.

3. Change in accounting policies

3.1 New and revised standards that are effective for annual periods beginning on or after 1 January 2017

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2017. These and other amendments to IFRSs that became mandatorily effective in 2017 have no material impact on the Group's financial results or position. Accordingly, the Group has made no changes to its accounting policies in 2017.

3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

IFRS 9'Financial Instruments'

The new standard for financial instruments (IFRS 9) introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of the Group's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed; and

- an expected credit loss-based impairment will need to be recognised on the Group's trade receivables in accordance with the new criteria.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. Management has started to assess the impact of IFRS 15 but is not yet in a position to provide quantified information.

IFRS 16 'Leases'

IFRS 16 will replace IAS 17 and three related Interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability.

IFRS 16 is effective from periods beginning on or after 1 January 2019. Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact the Group is in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition;
- assessing its current disclosures for operating leases as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets;
- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions; and
- assessing the additional disclosures that will be required.

4. Summary of accounting policies

4.1 Overall considerations and presentation of financial statements

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

The consolidated financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

4.2 Basis of consolidation

The Group's financial statements consolidate those of the parent company and all of its subsidiary undertakings drawn up to 31 December 2017. Subsidiaries are all entities over which the Group has power to control the financial and operating policies. Julius Meinl Living plc and its subsidiaries obtain and exercise control through voting rights. All subsidiaries have a reporting date of 31 December.

All transactions and balances between group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

4.3 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

4.4 Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of acquisition over the fair value of identifiable assets, liabilities and contingent liabilities taken over at the date of acquisition. The Group assesses whether there are any indicators that goodwill is impaired at each reporting date.

4.5 Investment property

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. Investment property is initially measured at cost, including transaction costs.

Subsequent to initial recognition, investment property is measured at fair value at the end of the reporting period. Gains or losses arising from changes in the fair value of investment property are recognised in profit or loss in the period in which they arise.

4.6 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at cost through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are measured subsequently as described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, the financial assets of the Group are classified into loans and receivables upon initial recognition.

All financial assets are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to loans and receivables are presented within ‘finance income’, or ‘finance costs’, except for impairment of trade receivables which is presented within ‘administrative expenses’.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted when the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include bank and other borrowings, trade and most other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognised in profit or loss.

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group has a currently enforceable legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

4.7 Impairment

Both non-derivative financial assets and non-financial assets are tested for impairment. At the end of each reporting period, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

For non-derivative financial assets, if there is objective evidence that an impairment loss has been incurred, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced directly.

In the case of non-financial assets tested for impairment, the recoverable amount is the higher of fair value less costs to sell (which is the amount obtainable from sale in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal) and value in use (which is the present value of the future cash flows expected to be derived, discounted using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Impairment losses are recognised immediately in profit or loss.

For non-derivative financial assets, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly.

In the case of non-financial assets tested for impairment, an impairment loss recognised in a prior year is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Impairment reversals are recognised immediately in profit or loss.

4.8 Non-current asset held for sale and discontinued operations

Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Group's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortisation.

Any profit or loss arising from the sale of discontinued operation or its remeasurement to fair value less costs to sell is presented as part of a single line item, profit or loss from discontinued operations (see also note 4.15)

4.9 Revenue and expense recognition

Revenue is measured at the fair value of the consideration received or receivable, net of value added tax, discounts and volume rebates, where applicable. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Group and these can be measured reliably.

Investment properties' rental income

Rental income from investment properties is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

Expenses are recognised in the consolidated statement of comprehensive income upon the utilisation of the service or at the date of their origin.

4.10 Borrowing costs

Borrowing costs include the costs incurred in obtaining external financing.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised from the time that expenditure for these assets and borrowing costs are being incurred and activities that are necessary to prepare these assets for their intended use or sale are in progress. Borrowing costs are capitalised until such time as the assets are substantially ready for their intended use or sale. Borrowing costs are suspended during extended periods in which active development is interrupted. All other borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

4.11 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases. Lease classification is made at the inception of the lease, which is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.

Rentals payable under operating leases, less the aggregate benefit of incentives received from the lessor, are recognised as an expense in profit or loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

4.12 Taxation

Current and deferred tax is charged or credited to profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also dealt with in other comprehensive income or in equity, as appropriate.

The charge for current tax is based on the taxable result for the period and any adjustment to tax payable in respect of previous years. The taxable result for the period differs from the result as reported in profit or loss because it excludes items which are non assessable or disallowed and it further excludes items that are taxable or deductible in other periods. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current tax assets and liabilities are offset when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to set off its current tax assets and liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4.13 Employee benefits

The Group contributes to the state pension for employees on its payroll in accordance with the applicable legislation in the relative jurisdiction. Obligations for such contributions are recognised as expense in profit or loss when they are due.

4.14 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the Group’s reporting currency (euro) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into euro using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the disposed enitity are reclassified to profit or loss.

4.15 Profit from discontinued operations

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale. Profit or loss from discontinued operations comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal group(s) constituting the discontinued operation (see also note 4.8).

4.16 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company’s cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows and are presented in current liabilities on the consolidated statement of financial position.

5. Judgements in applying accounting policies and key sources of estimation uncertainty

In the process of applying the Group’s accounting policies, management has made the following judgements and key assumptions concerning the future which can significantly affect the amounts recognised in the financial statements:

Judgement in applying accounting policies

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Also, deferred tax liabilities are provided for based on the expected realisation of the Group’s assets, mainly the investment property.

Fair value of investment property

The basis for the fair value measurement of the investment property held by the Group's subsidiary, Moravský Bytový Fond s.r.o.in the Czech Republic, is detailed in note 12.

6. Finance costs

	€
Interest income on bank deposits	6,236

7. Loss from continuing operations

Loss from continuing operations is stated afte charging the below items:

	€
Auditor's remuneration	27,258

8. Key management personnel compensation

	€
Directors'compensation	
Short term benefits:	
Fees	209,013

9. Income tax expense

	€
Current tax expense	(722)

Tax applying the statutory domestic income tax rate and the income tax expense for the period are reconciled as follows:

	€
Loss before tax	(786,152)
Tax at the applicable rate of 35%	275,153
Tax effect of:	
Deemed notional interest received	1,965
Expenses not deductible for tax purposes	(278,012)
FRFTC relief	172
Income tax expense for the period	**(722)**

10. Goodwill

	€
Arising on acquisition of Moravský Bytový Fond s.r.o.	1,697,168

11. Basic/diluted (loss) earnings per share

The calculation of (loss) earnings per share is based on the (loss) profit for the period attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during of the period

12. Investment property

	€
Acquired during the period	9,391,944
Additions	19,736
Fair value gain	2,493,548
	11,905,228
Transfer to assets held for sale	(11,905,228)
	-

The carrying amount of the investment property as at 31 December 2017 relates to retail properties located in Ostrava, Havirov, Olomouc.

The property was valued at 31 December 2017 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the location and category of the property being valued. It was valued primarily using the income approach as investment property.

The fair value measurement for the Group's investment property has been categorised as level 3 fair value based on the inputs to the valuation technique used.

The following shows the valuation technique used in measuring the fair value of the investment property, as well as the significant unobservable inputs used.

Valuation technique	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
Discounted cash flows:	Moravský Bytový Fond s.r.o property	The estimated fair value would increase/(decrease) if:
The valuation model considers the present value of net cash flows to be generated from the property, taking into account rental rates and expected rental growth rate, occupancy rate and void periods together reflected in vacancy rates, construction costs, opening and completion dates, lease incentive costs such as rent-free periods, taxes and other costs not paid by tenants. The expected net cash flows are discounted using the risk-adjusted discount rates plus the final year stream is discounted with the terminal capitalisation rate. Among other factors, discount rate estimation considers the type of property, location, tenants and lease terms.	Average annual net rental income of aprox 514,000 in year 1 of cash flow and 856,000 in exit year	- Average rental rates were higher/(lower) hence higher/(lower) net rental income
	Occupancy rate in the range of 1.5% to 5%	- The vacancy rates were lower/(higher)
	Discount rate in the range of 8% to 8.4%	- The risk-adjusted discount rate were lower/(higher)
	The exit yield ranges between 6% to 6.4%	- The exit yield lower/(higher)

13. Receivables

	€
Other receivables	110,216
Transfer to assets held for sale	(87,965)
	22,251

14. Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprised the following:

	€
Cash at bank	4,003,985
Transfer to assets held for sale	(495,424)
	3,508,561

15. Trade and other payables

	€
Trade payables	42,027
Accruals	127,253
	169,280
Transfer to liabilities held for sale	(101,714)
	67,566

16. Bank borrowings

	€
Bank loans - current	169,706
Transfer to liabilities held for sale	(169,706)
	-
Bank loans - non-current	4,274,956
Transfer to liabilities held for sale	(4,274,956)
	-

A subsidiary of the Group, Moravský Bytový Fond s.r.o has a loan facility with three tranches, with Raiffeisen Bank Czech Republic, granted in CZK (Czech Koruna). As at 31 December 2017, all tranches have been drawn down in full.

Tranche A:
-balance amount as of 31.12.2016: CZK 68,932,000
-interest rate: 2.97% fixed rate till 30 March 2020, then refixation for another 3 or 5 years
-interest is paid quarterly
-maturity:28 January 2030
-principal repayment: quarterly and balloon

Tranche B:
-balance amount as of 31.12.2016: CZK 27,455,648.63
-interest rate: 3m PRIBOR + 2.3%, quarterly paid
-maturity:28 January 2020-principal repayment: balloon

Tranche C:
-balance amount as of 31.12.2016: CZK 22,144,351.47
-interest rate: 3m PRIBOR + 2.3%, quarterly paid
-maturity: 28 January 2020
-principal repayment: balloon .

This loan is secured by a pledge over the Moravský Bytový Fond s.r.o's assets

17. Deferred taxation

	€
Deferred tax liabilities	1,557,857
Transfer to liabilities for sale	(1,557,857)
	-

In accordance with the requirements of IAS 12 *Income Taxes*, the Group has recognised a deferred tax liability on the temporary difference arising from the change in fair value of its investment property as at 31 December 2017.

18. Assets held for sale and discontinued operations

At the end of 2017, management decided to sell the Group's investment in Moravský Bytový Fond s.r.o. in line with the Group's strategy to focus on the serviced residences sector. Consequently, assets and liabilities allocable to this subsidiary were classified as a disposal group. Revenue and expenses, gains and losses relating to the discontinuation of activities of this subsidiary have been eliminated from profit or loss from the Group's continuing operations and are shown as a single line item in the statement of total comprehensive income.

The results and assets and liabilities classified as held for sale are summarised below:

a) Results

	€
Gross rental income	890,391
Net property expenses	(150,476)
	739,915
Administrative and other expenses	(130,631)
Finance costs	(160,104)
Change in fair value of investment property	2,493,548
	2,202,813
Profit from discontinued operations	2,942,728
Tax expense	(558,173)
Profit for the year from discontinued operations	**2,384,555**

b) Carrying amount of assets held for sale

Non-current assets	
Investment property	11,905,228
Current assets	
Receivables	87,965
Cash and cash equivalents	495,424
Assets classified as held for sale	**12,488,617**

18. Assets held for sale and discontinued operations (continued)

c) Carrying amount of liabilities held for sale

Non-current liabilities	
Bank loan	4,274,956
Other long term liabilities	67,090
Deferred tax	1,557,857
	5,899,903
Current liabilities	
Bank loan	169,706
Taxation	42,717
Other payables	101,714
	314,137
Liabilities classified as held for sale	**6,214,040**

d) Cash flows

Operating activities	502,481
Investing activities	(19,046)
Financing activities	(281,978)
Cash flows from discontinued operations	**201,457**

19. Share capital

	Authorised €	**Issued and called up €**
Ordinary A shares of €1 each	1,000,000	11,650
Ordinary B shares of €1 each	150,000,000	1,000,000
Cumulative preference shares	15,000	-
	151,015,000	**1,011,650**

The Company was incorporated on 9 August 2016 with an authorised share capital of €151,015,000 made up of 1,000,000 ordinary A shares and 150,000,000 ordinary B shares, all having a nominal value of €1 each and 150,000,000 cumulative preference shares with a nominal value of €0.0001 each.

Upon incorporation, the Company issued share capital amounting to €11,650 comprising 46,600 ordinary A shares having a nominal value of €1 each, being 25% paid up.

19. Share capital (continued)

On 6 December 2016, the Company issued further share capital amounting to €1,000,000 comprising 1,000,000 ordinary B shares having a nominal value of €1 each, being 100% paid up. In addition it issued one preference shares with a nominal value of €0.0001.

Each share in the Company (including the preference shares) gives to the holder thereof the right to one (1) vote at any general meeting of the Company.

20. Reserves

Share premium represents the share premium of €9 per share paid upon the issue of the ordinary shares and €1 on one preference share.

Retained earnings include current period results.

Translation reserve comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into euro.

21. Subsidiaries

The results incorporated in the consolidated financial statements include the individual results of Julius Meinl Living plc and its subsidiaries as disclosed below:

Subsidiaries	Principal activities	Date of incorporation/ acquisition	Country of incorporation	Proportion of ownership interest
Held by JULIUS MEINL LIVING plc				
JULIUS MEINL LIVING HOLDINGS LTD	Investment holding	9 Aug 2016	Malta	100%
Held by JULIUS MEINL LIVING HOLDINGS LIMITED				
JULIUS MEINL LIVING CZ	Property management	25 Aug 2016	Czech	100%
MORAVSKY BYTOVY FOND S.R.O.	Asset company	15 Sep 2016	Czech	100%

22. Acquisition of subsidiaries

On 9 August 2016 the Company set up Julius Meinl Living Holdings Limited, an investment holding company incorporated in Malta, 100% owned by the Company.

On 25 August 2016 the Group, through its subsidiary, Julius Meinl Living Holdings Limited, set up Julius Meinl Living CZ, a property management company incorporated in the Czech Republic, 100% owned by Julius Meinl Living Holding Limited.

On 15 September 2016 the Group, through its subsidiary, Julius Meinl Living Holdings Limited, acquired 100% of the share capital of Moravský Bytový Fund s.r.o., an asset company incorporated in the Czech Republic. The subsidiary was sold on 29 March 2018 and all assets and liabilities forming part of the sale are included in note 18.

23. Related party disclosures

Julius Meinl Living plc is the parent company of the undertakings highlighted in note 21. The parent and ultimate parent of Julius Meinl Living plc is Julius Meinl Finance Limited which is incorporated in the Cayman Islands.

The directors consider the ultimate controlling party to be Mr Julius Meinl, who owns 100% of the issued share capital of Julius Meinl Finance Limited.

As disclosed in notes 13 and 15, there were no amounts due to and from related parties.

No expense has been recognised in the period for bad or doubtful debts in respect of amounts due by related parties and there are no provisions for doubtful debts in respect of outstanding amounts due by related parties.

There were no related party transactions during the period under review.

24. Capital commitments

There are no capital commitments as at 31 December 2017.

25. Fair values of financial assets and financial liabilities

As at 31 December 2017, the carrying amounts of financial assets and financial liabilities classified at amortised cost and classified with current assets and current liabilities respectively approximated their fair values due to the short term maturities of those assets and liabilities.

The fair values of non-current financial assets and non-current financial liabilities that are not measured at fair value, other than unlisted investments that cannot be reliably measured and that are carried at cost, are not materially different from their carrying amounts.

Investments in equity instruments that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured, are stated at cost.

26. Financial instrument risk management objectives and policies

The exposures to risk and the way risks arise, together with the Group's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below.

The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development.

Where applicable, any significant changes in the Group's exposure to financial risks or the manner in which the Group manages and measures these risks are disclosed below.

Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting loans and receivables, placing deposits, etc.

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period, as summarised below:

	Notes	**€**
Classes of financial assets - carrying amounts		
Loans and receivables:		
Non-current		
Loans		264,241
Current		
- Receivables	13	22,251
- Cash and cash equivalents	14	3,508,561
		3,795,053

Where possible, the Group aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors.

Receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Credit risk with respect to receivables is not significant as they have been substantially recovered after the end of the reporting period.

The credit risk for liquid funds is considered negligible since the counterparties are reputable banks with quality external credit ratings.

None of the Group's financial assets is secured by collateral or other credit enhancements.

26. Financial instrument risk management objectives and policies (continued)

Currency risk

The Group is mainly exposed to foreign exchange risk due to euro funding of transactions undertaken by its foreign operations with functional currency in the Czech koruna. All the revenues, expenses and bank loans in the Czech subsidiary are in Czeck koruna. Additionally, Czech koruna was and is expected to be stable with very limited fluctuations against the euro. Hence, the currency risks associated with the Czech operations are limited. Nevertheless, management performs regular monitoring of the relevant exchange rates and of the National Bank of Czech Republic policies, in order to react to material movements, if any.

As at the end of the reporting period, the Group had exposure to financial liabilities measured at amortised cost arising from its Czech koruna-denominated bank loans with a carrying amount of €4,444,622 equivalent. The Group did not have any other significant exposure arising from foreign currency denominated monetary assets and monetary liabilities.

Interest rate risk

The Group has fixed and variable rate bank loans to finance its operations as disclosed in note 16, the largest part of the loan (Tranche A) bearing a fixed interest rate. The interest rates thereon and the terms of such borrowings are disclosed accordingly. There are no other material interest-bearing financial assets and financial liabilities. For variable rate bank loans, it is estimated that an increase of 100 basis points in interest rate at the reporting date would lead to a reduction in the Group's profit before tax by approximately €44,446. A decrease in 100 basis points in interest rate would have an equal but opposite effect. This analysis assumes that all other variables, in particular foreign currency rates, remain constant, and has not taken into account the effects of qualifying borrowing costs allowed for capitalisation, and the associated tax effects.

Liquidity risk

The Group monitors and manages its risk to a shortage of funds by considering the maturity of both its financial assets and financial liabilities and by monitoring the availability of raising funds to meet commitments associated with financial instruments.

The maturity analysis of the Group's liabilities as at 31 December 2017 are given below. These amounts are gross and undiscounted and include estimated interest payments.

	3 months - 1 year	**1 - 5 years**	**5+ years**	**Total**
	€	**€**	**€**	**€**
Trade and other payables	67,566	-	-	67,566

26. Financial instrument risk management objectives and policies (continued)

Summary of financial instruments by category

The carrying amounts of the Group's financial assets and liabilities as recognised at the end of the reporting periods under review may also be categorised as follows. See note 4.4 for explanations about how the category of financial instruments affects their subsequent measurement.

	Notes	€
Non-current		
Loans		264,241
Current assets		
Loans and receivables:		
- Receivables	*13*	22,251
- Cash and cash equivalents	*14*	3,508,561
		3,795,053
Current liabilities		
Financial liabilities measured at amortised cost:		
- Trade and other payables	*15*	67,566

27. Capital management policies and procedures

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and to maximise the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of items presented within equity in the consolidated statement of financial position.

The Group's directors and key management manage the Group's capital structure and make adjustment to it, in light of changes in economic conditions. The capital structure is reviewed on an ongoing basis.

28. Events after the end of the reporting period

The Group's investment held in Moravský Bytový Fond s.r.o. was sold to a third party on 29 March 2018.

In 2018, the Group acquired two new subsidiaries, PPH Nove Mesto s.r.o. and Prague Prime Homes Management s.r.o. (after acquisition renamed to Julius Meinl Prime Homes s.r.o.)

Julius Meinl Living plc

Independent auditor’s report

To the shareholders of Julius Meinl Living plc

Report on the audit of the consolidated financial statements

Opinion
We have audited the consolidated financial statements of Julius Meinl Living plc set out on pages 6 to 31 which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of total comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group 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 (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Companies Act, Cap. 386 (the “Act”).

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 Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 that are relevant to our audit of the financial statements in Malta. 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.

Other information
The directors are responsible for the other information. The other information comprises the directors’ report shown on pages 2 to 4 which we obtained prior to the date of this auditor’s report, but does not include the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the directors’ report, we also considered whether the directors’ report includes the disclosures required by Article 177 of the Act.

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

- The information given in the directors' report for the financial year for which the consolidated financial statements are prepared is consistent with the financial statements, and
- the directors' report has been prepared in accordance with the Act

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of those charged with governance for the financial statements
The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Act, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters relating 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 have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report tothe related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

Report on other legal and regulatory requirements
We also have responsibilities under the Companies Act, Cap 386 to report to you if, in our opinion:

- adequate accounting records have not been kept
- the consolidated financial statements are not in agreement with the accounting records.
- we have not received all the information and explanations we require for our audit.

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

The engagement partner on the audit resulting in this independent auditor's report is Mark Bugeja.

Mark Bugeja (Partner) for and on behalf of
GRANT THORNTON
Certified Public Accountants
Fort Business Centre
Mriehel Bypass
Birkirkara 3000
Malta

25 February 2019