

Julius Meinl Living plc

C 76799

Report and consolidated financial statements

Year ended 31 December 2018

Contents

	<i>Page</i>
Directors, officer and other information	<i>1</i>
Directors' report	<i>2 - 4</i>
Statement of directors' responsibilities	<i>5</i>
Consolidated statement of total comprehensive income	<i>6</i>
Consolidated statement of financial position	<i>7 - 8</i>
Consolidated statement of changes in equity	<i>9</i>
Consolidated statement of cash flows	<i>10</i>
Notes to the consolidated financial statements	<i>11 - 45</i>
Independent auditor's report	<i>46 - 48</i>

Julius Meinl Living plc

Directors, officer and other information

<i>Directors:</i>	Edward Camilleri Edward Carbone Nadine Gilles Nicholas Hill Peter Weinzierl
<i>Secretary:</i>	Michael Scicluna
<i>Registered office:</i>	Office 16 Verdala Business Centre Level 1 LM Complex Brewery Street Mriehel Birkirkara BKR 3000 Malta
<i>Country of incorporation:</i>	Malta
<i>Company registration number:</i>	C 76799
<i>Auditor:</i>	Grant Thornton Fort Business Centre Mriehel Bypass Birkirkara BKR 3000 Malta

Julius Meinl Living plc

Directors' report

Year ended 31 December 2018

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 year ended 31 December 2018.

Principal activities

The principal activity of the Group is to invest in, develop and subsequently manage residential and commercial real estate, primarily in Central and Eastern Europe, with a focus on the hospitality sector and a special focus on serviced apartments/residences.

Performance review

During the period under review, the Group registered a profit after tax of *€18,107,053* (2017: *€1,686,859*) arising primarily from success fees and an increase in the fair value of investment property.

The shareholders' funds at the end of the reporting period amounted to *€31,486,992* (2017: *€11,698,510*).

Result and dividends

The result for the year ended 31 December 2018 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 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 previously acquired.

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.

Julius Meinl Living plc

Directors' report

Year ended 31 December 2018

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

Since the end of the reporting period, the Group has continued to work on its strategy to become a major player in the serviced residences sector. This has involved work on the Group's existing project in Prague which is approaching the full start of construction, the preparation of the launch of a medium term note program in order to give the Company and the Group added sources of financing and flexibility to expand in accordance with its strategy, and effort to find additional projects meeting the Group's criteria for expansion, with concrete opportunities being pursued in Budapest, Belgrade and Bucharest.

Directors

The directors who served during the period were:

Edward Camilleri
Edward Carbone
Nadine Gilles (appointed 1 October 2018)
Nicholas Hill
Peter Weinzierl

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

Julius Meinl Living plc

Directors' report

Year ended 31 December 2018

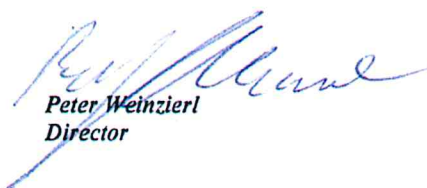
Auditor

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 30 April 2019 by:



Edward Camilleri
Director



Peter Weinzierl
Director

Julius Meinl Living plc

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

Year ended 31 December 2018

		01.01.2018 to 31.12.2018 12 months €	09.08.2016 to 31.12.2017 17 months €
	Notes		
Continuing operations			
Other income	6	8,577,126	-
General and administrative expenses		(504,886)	(900,278)
Net finance (costs) income	7	(27,464)	6,236
Net realised and unrealised exchange differences		15,187	107,890
Gain on disposal of subsidiary	8	260,452	-
Release of goodwill on disposal of subsidiary		(1,697,168)	-
Fair value gain on investment property	15	13,262,117	-
Gain from bargain purchases		1,137,672	-
Profit (loss) before tax	9	21,023,036	(786,152)
Income tax expense	11	(2,894,032)	(722)
Profit (loss) from continuing operations		18,129,004	(786,874)
Profit from discontinued operations	23	-	2,384,555
Profit for the year/period		18,129,004	1,597,681
Other comprehensive (loss) income			
<i>Items that will be reclassified subsequently to profit or loss:</i>			
Deferred exchange difference		(21,951)	89,178
Total comprehensive income		18,107,053	1,686,859
Profit for the year/period attributable to:			
Owners of the parent company		15,493,013	1,597,681
Non-controlling interest		2,635,991	-
		18,129,004	1,597,681
Total comprehensive income attributable to:			
Owners of the parent company		15,478,954	1,686,859
Non-controlling interest		2,628,099	-
		18,107,053	1,686,859
Basic/diluted earnings per share	12		
From continuing operations		14.80	(12.95)
From discontinued operations		0.00	39.24

The notes on pages 11 to 45 form an integral part of these consolidated financial statements.

Julius Meinl Living plc

Consolidated statement of financial position

31 December 2018

	Notes	2018 €	2017 €
ASSETS AND LIABILITIES			
Non-current assets			
Goodwill	13	-	1,697,168
Plant and equipment	14	64,852	-
Investment property	15	34,519,342	-
Loans and receivables	16	176,724	264,241
Deferred tax assets	21	133,183	-
		34,894,101	1,961,409
Current assets			
Loans and receivables	16	623,105	22,251
Current tax asset		2,291,647	-
Cash and cash equivalents	17	13,451,184	3,508,561
		16,365,936	3,530,812
Assets held for sale	23	-	12,488,617
Total assets		51,260,037	17,980,838
Current liabilities			
Bank borrowings	19	7,936,557	-
Trade and other payables	18	628,140	67,566
Current tax liability		2,713,125	722
		11,277,822	68,288
Non-current liabilities			
Other financial liabilities		92,555	-
Debt securities in issue	20	5,895,774	-
Deferred tax liabilities	21	2,506,894	-
		8,495,223	-
Liabilities held for sale	23	-	6,214,040
Total liabilities		19,773,045	6,282,328
Net assets		31,486,992	11,698,510

Julius Meinl Living plc

Consolidated statement of financial position


31 December 2018

	Notes	2018 €	2017 €
EQUITY			
Share capital	24	1,011,651	1,011,650
Share premium	25	9,000,000	9,000,001
Translation reserve	25	(14,143)	89,178
Retained earnings	25	17,090,694	1,597,681
Equity attributable to owners of the parent		27,088,202	11,698,510
Equity attributable to non-controlling interest		4,398,790	-
Total equity		31,486,992	11,698,510

The notes on pages 11 to 45 form an integral part of these consolidated financial statements.

These consolidated financial statements were approved by the directors, authorised for issue on 30 April 2019 and signed by:


Edward Camilleri
Director


Peter Weinzierl
Director

Julius Meinl Living plc

Consolidated statement of changes in equity

31 December 2018

	Share capital €	Share premium €	Translation reserve €	Retained earnings €	Attributable to owners of the parent €	Non- controlling interest €	Total €
Issue of share capital	1,011,650	9,000,001	-	-	10,011,651	-	10,011,651
Profit for the period	-	-	-	1,597,681	1,597,681	-	1,597,681
Other comprehensive income	-	-	89,178	-	89,178	-	89,178
Balance at 31 December 2017	1,011,650	9,000,001	89,178	1,597,681	11,698,510	-	11,698,510
Balance at 1 January 2018	1,011,650	9,000,001	89,178	1,597,681	11,698,510	-	11,698,510
Redesignation of 1 preference share 25% paid up to 1 ordinary share 100% paid up	1	(1)	-	-	-	-	-
Non-controlling interest upon acquisition	-	-	-	-	-	1,770,691	1,770,691
Release of translation reserve upon disposal of subsidiary	-	-	(89,262)	-	(89,262)	-	(89,262)
Profit for the year	-	-	-	15,493,013	15,493,013	2,635,991	18,129,004
Other comprehensive loss	-	-	(14,059)	-	(14,059)	(7,892)	(21,951)
Balance at 31 December 2018	1,011,651	9,000,000	(14,143)	17,090,694	27,088,202	4,398,790	31,486,992

The notes on pages 11 to 45 form an integral part of these consolidated financial statements.

Julius Meinl Living plc

Consolidated statement of cash flows

Year ended 31 December 2018

		01.01.2018 to 31.12.2018 12 months Notes €	09.08.2016 to 31.12.2017 17 months €
Cash flows from operating activities			
Profit (loss) before tax		21,023,036	(786,152)
Adjustments	22	(13,055,390)	-
Working capital	22	(8,650)	45,315
Cash flows from discontinued operations	23	-	511,640
<i>Net cash flows from (used in) operating activities</i>		<u>7,958,996</u>	<u>(229,197)</u>
Cash flows from investing activities			
Net loans to related parties		(6,369,515)	(264,241)
Payments to acquire subsidiaries	8a	-	(5,256,917)
Net proceeds from sale of subsidiary	8b	4,699,236	-
Interest received		16,002	-
Payments to develop investment property		(1,263,049)	-
Cash flows from discontinued operations	23	-	(19,046)
<i>Net cash flows used in investing activities</i>		<u>(2,917,326)</u>	<u>(5,540,204)</u>
Cash flows from financing activities			
Issue of share capital		-	10,011,651
Proceeds from debt securities issued		4,902,066	-
Interest paid		(230,419)	-
Cash flows from discontinued operations	23	-	(238,265)
<i>Net cash flows from financing activities</i>		<u>4,671,647</u>	<u>9,773,386</u>
Net movement in cash and cash equivalents		9,713,317	4,003,985
Cash and cash equivalents at the beginning of the year/period		3,508,561	-
Cash and cash equivalents included in disposal	23	-	(495,424)
Cash received from acquisition of subsidiaries	8a	351,051	-
Effect of foreign exchange rate changes		(121,745)	-
Cash and cash equivalents at the end of the year/period	17	<u><u>13,451,184</u></u>	<u><u>3,508,561</u></u>

The notes on pages 11 to 45 form an integral part of these consolidated financial statements.

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2018

1. General information and statement of compliance with IFRS

Julius Meinl Living plc (the Company), 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 property which is 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. Adoption of new and revised International Financial Reporting Standards

(a) New standards and amendments – applicable 1 January 2018

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2018:

IFRS 9 “Financial Instruments”.

Key features of the new standard are:

Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

Classification for debt instruments is driven by the entity’s business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets’ cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2018

3. Adoption of new and revised International Financial Reporting Standards (continued)

(a) New standards and amendments – applicable 1 January 2018 (continued)

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model.

There is a ‘three stage’ approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

IFRS 15, Revenue from Contracts with Customers.

Key features of the new standard are:

The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2018

3. Adoption of new and revised International Financial Reporting Standards (continued)

(b) Forthcoming requirements:

IFRS 16 “Leases”. Effective for periods beginning on or after 1 January 2019. Key features of the new standard are:

The standard will affect primarily the accounting by lessees and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The statement of profit or loss will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.

Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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 2018. 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.

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2018

4.2 *Basis of consolidation (continued)*

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.

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2018

4.6 *Property, plant and equipment*

Plant and equipment are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group's management. Plant and equipment and other equipment are subsequently measured at cost less accumulated depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual values. The following useful lives are applied:

- IT equipment: 2–5 years
- other equipment: 3–12 years.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

4.7 *Financial instruments*

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

All regular way purchases or sales of financial assets are accounted for using settlement date accounting, i.e. on the date an asset is delivered to or by the entity. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2018

4.7 Financial instruments (continued)

Classification and measurement of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- The Group may irrevocably designate a debt investment that meets the amortised cost or FVOCI criteria as measured at FVPL if doing so eliminates or significantly reduces an accounting mismatch.

The effective interest method is a method of calculating the amortised cost of a debt instrument and allocating interest income over the relevant period. For financial assets other than those purchased or originated credit-impaired, the effective interest rate is the rate that exactly discounts estimated future cash receipts excluding expected credit losses (ECL), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2018

4.7 *Financial instruments (continued)*

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and FVOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired.

Interest income is recognised in profit or loss and is included in finance income.

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost, trade receivables and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2018

4.7 *Financial instruments (continued)*

The Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- It has a low risk of default;
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term;
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying a significant increase in credit risk before the amount becomes past due.

The Group considers that default has occurred when a financial asset is more than 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about significant financial difficulty of the borrower, breaches of contract and the disappearance of an active market for that financial asset.

The measurement of ECL is a function of the probability of default, loss given default and the exposure of default. Assessment is based on historical data adjusted by forward-looking information. The exposure of default of an asset is the gross carrying amount at the reporting date. The ECL is estimated as the difference between all contractual cash flows due to the Group and all cash flows that the Group expects to receive, discounted at the original effective interest rate.

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2018

4.7 *Financial instruments (continued)*

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used. The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method, thus allocating interest expense over the relevant period. Financial liabilities include bank borrowings, debt securities and trade and other payables.

The Group derecognises financial liabilities when the obligations are discharged or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration is recognised in profit or loss.

4.8 *Non-current assets 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).

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2018

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 property's rental income

Rental income from investment property 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.

Other income

Success fees and management services are recognised in the income statement on the date that the company's right to receive payment is established. It is recognised to the extent that it is probable that future economic benefits will flow to the company and these can be measured reliably.

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 total comprehensive income upon the utilisation of the service or as incurred.

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.

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2018

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.

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2018

4.12 *Taxation (continued)*

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 entity are reclassified to profit or loss.

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2018

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 Group'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. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the application of the Group's accounting policies, which are described in notes 4.1 to 4.16, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is 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.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2018

5. Critical accounting estimates and judgements (continued)

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.

Significant increase in credit risk

As explained in Note 4.7, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair value of investment property

The basis for the fair value measurement of the investment property held by the Group's subsidiary, PPH Nove Mesto s.r.o. in the Czech Republic, is detailed in note 15.

Calculation of loss allowance

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2018

6. Other income

	01.01.2018 to 31.12.2018 12 months €	09.08.2016 to 31.12.2017 17 months €
Success fee	8,500,00	-
Management services	77,126	-
	<u>8,577,126</u>	<u>-</u>

7. Net finance (costs) income

	01.01.2018 to 31.12.2018 12 months €	09.08.2016 to 31.12.2017 17 months €
Finance costs	(80,560)	-
Finance income	53,096	6,236
	<u>(27,464)</u>	<u>6,236</u>

8. Acquisitions and disposals of subsidiaries

a) Acquisition of subsidiaries

On 19 June 2018 the Group acquired 75% of the share capital of PPH Nove Mesto s.r.o., an asset company incorporated in the Czech Republic.

	€
Cash	330,948
Investment property	20,033,789
Receivables	158,981
Payables	(433,255)
Long-term debt	(9,635,293)
Bank borrowings	(7,936,557)
Other	(1,257)
	<u>2,517,356</u>
Non-controlling interest	(1,770,691)
Adjustment for bargain purchase	(741,114)
	<u>5,551</u>
Total purchase price	
Purchase price paid in cash	-
Less: cash acquired	(330,948)
	<u>(330,948)</u>
Cash paid to obtain control net of cash acquired	

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2018

8. Acquisitions and disposals of subsidiaries (continued)

a) Acquisition of subsidiaries (continued)

On 1 November 2018 the Group acquired 100% of the share capital of Julius Meinl Prime Homes s.r.o., a property management company incorporated in the Czech Republic.

	€
Cash	20,103
Plant and equipment	66,823
Receivables	429,163
Payables	(103,807)
Bank borrowings	(341)
	<u>411,941</u>
Adjustment for bargain purchase	(400,333)
Total purchase price	<u>11,608</u>
Purchase price paid in cash	-
Less: cash acquired	(20,103)
Cash paid to obtain control net of cash acquired	<u>(20,103)</u>

b) Gain on disposal of subsidiary

During the comparative period, the shareholders resolved to dispose of the investment in Moravský Bytový Fond s.r.o. and in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', the investment was transferred to non-current asset held for sale. Moravský Bytový Fond s.r.o. was sold to a third party on 29 March 2018. The gain on disposal including direct selling costs are recorded in the income statement.

	01.01.2018 to 31.12.2018 12 months €	09.08.2016 to 31.12.2017 17 months €
Consideration	4,837,329	-
Net asset value	(4,438,784)	-
Professional fees	(138,093)	-
Gain on disposal	<u>260,452</u>	<u>-</u>

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2018

9. Profit (loss) from continuing operations

Profit (loss) from continuing operations is stated after charging the below items :

	01.01.2018	09.08.2016
	to	to
	31.12.2018	31.12.2017
	<i>12 months</i>	<i>17 months</i>
	€	€

Auditors' remuneration	40,238	27,258
------------------------	---------------	--------

10. Key management personnel compensation

	01.01.2018	09.08.2016
	to	to
	31.12.2018	31.12.2017
	<i>12 months</i>	<i>17 months</i>
	€	€

Director's compensation		
Short term benefits:		
Fees	140,000	209,013

11. Income tax expense

	01.01.2018	09.08.2016
	to	to
	31.12.2018	31.12.2017
	<i>12 months</i>	<i>17 months</i>
	€	€
Deferred tax expense	(2,473,276)	-
Current tax expense	(38,814)	(722)
Tax charge at source	(2,673,589)	-
Tax refund receivable	2,291,647	-
	(2,894,032)	(722)

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2018

11. Income tax expense (continued)

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

	01.01.2018 to 31.12.2018 12 months €	09.08.2016 to 31.12.2017 17 months €
Profit/(loss) before tax	21,023,036	(786,152)
Tax at the applicable rate of 35%	(7,358,063)	275,153
<i>Tax effect of:</i>		
Tax rate applicable in foreign jurisdiction	2,082,758	-
Not-taxable gain on disposal of subsidiary	332,580	-
Deemed notional interest received	265,071	1,965
Expenses not deductible for tax purposes	(103,328)	(278,012)
Tax refund receivable	2,291,647	-
FRFTC relief	1,322	172
Consolidation adjustments	(406,019)	-
Income tax expense for the year/period	(2,894,032)	(722)

Refer to note 21 for details of deferred tax assets and liabilities.

12. Basic/diluted earnings per share

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

13. Goodwill

	2018 €	2017 €
Arising on acquisition of Moravský Bytový Fond s.r.o	-	1,697,168

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2018

14. Plant and equipment

	Plant and equipment €
Cost	
Additions for the year	63,573
Advance payment	3,251
	<u>66,824</u>
Depreciation	
Charge for the year	(1,972)
Net book value at 31 December 2018	<u><u>64,852</u></u>

15. Investment property

	2018 €	2017 €
Acquired during the year/period	20,033,789	9,391,944
Additions	1,263,049	19,736
Effect of foreign exchange	(39,613)	-
Fair value gain	13,262,117	2,493,548
	<u>34,519,342</u>	<u>11,905,228</u>
Transfer to assets held for sale (note 23)	-	(11,905,228)
At 31 December	<u><u>34,519,342</u></u>	<u><u>-</u></u>

The carrying amount of the investment property as at 31 December 2018 relates to serviced residential and commercial property located in Prague, Czech Republic.

The property was valued at 31 December 2018 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 2 fair value based on the inputs to the valuation technique used.

Since the property is currently under development there has been no rental income nor direct expenses.

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2018

15. Investment property (continued)

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

<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between key unobservable inputs and fair value measurement</u>
<i>Discounted cash flows:</i>	PPH Nove Mesto 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 gross rental income of aprox €5.7 million in year 1 of cash flow increasing to €8 million from year 4	- Average rental rates were higher/(lower) hence higher/(lower) net rental income
	Occupancy rate in the range of 70% to 80%	- The vacancy rates were lower/(higher)
	Discount rate applied 9.1%	- The risk-adjusted discount rate were lower/(higher)
	The exit yield considered to be 6.6%	- The exit yield lower/(higher)

16. Loans and receivables

	2018 €	2017 €
At amortised cost:		
Non-current		
Loans due from related parties	176,724	264,241

On 3 July 2017, the Company and Stoneham Investments Limited (Stoneham) entered into a facility agreement whereby the company is to provide Stoneham a secured term loan facility up to €500,000 which can be drawn in tranches. The balance bears interest at 8% per annum and is repayable together with interest accruing thereon on 31 December 2020. Both principal and interest are secured by a pledge on the 100% shareholding of the borrower in Twins Investment (SPV) Ltd, which is registered at Chrysanthou Mylona 3, 3030, Limassol. The identified impairment loss of IFRS9 on initial adoption and at the reporting date is considered to be immaterial due to the prospects of financial support from related parties in the eventuality of default, and has not been provided for in these financial statements.

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2018

16. Loans and receivables (continued)

	2018 €	2017 €
At amortised cost:		
Current		
Loans due from related parties	163,379	-
Amounts due from related parties	246,923	-
Trade and other receivables	212,803	110,216
Transfer to assets held for sale (note 23)	-	(87,965)
	<u>623,105</u>	<u>22,251</u>

Loans due from related parties amounting to €163,379 are unsecured, bear interest at 8% per annum and are repayable on 31 December 2019. The identified impairment loss of IFRS9 on initial adoption and at the reporting date is considered to be immaterial due to the prospects of financial support from related parties in the eventuality of default, and has not been provided for in these financial statements.

17. Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position and consolidated statement of cash flows comprise the following:

	2018 €	2017 €
Cash at bank	12,479,329	4,003,985
Short-term deposit	971,855	-
Transfer to assets held for sale (note 23)	-	(495,424)
	<u>13,451,184</u>	<u>3,508,561</u>

The short-term deposit bears interest of 0.55% per annum and matured on 22 February 2019.

The Group did not have any restrictions on its cash and cash equivalents at year end. In determining the ECL for this asset, the directors have considered the fact that the major part of cash and cash equivalents is held with a counterparty with a credit rating of BBB and is callable on demand. The directors consider the probability of default to be close to zero as the counterparty has a strong capacity to meet its contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Group.

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2018

18. Trade and other payables

	2018 €	2017 €
Trade and other payables	450,253	42,027
Accruals	128,470	127,253
Amounts due to related parties	49,417	-
	<u>628,140</u>	<u>169,280</u>
Transfer to liabilities held for sale (note 23)	-	(101,714)
	<u>628,140</u>	<u>67,566</u>

19. Bank borrowings

	2018 €	2017 €
Bank loans - current	7,936,557	169,706
Transfer to liabilities held for sale (note 23)	-	(169,706)
	<u>7,936,557</u>	<u>-</u>
Bank loans – non-current	-	4,274,956
Transfer to liabilities held for sale (note 23)	-	(4,274,956)
	<u>-</u>	<u>-</u>

A subsidiary of the Group, PPH Nove Mesto s.r.o. has a loan facility with Expobank CZ a.s., granted in CZK (Czech Koruna) which is secured by pledge on the company's investment property. Interest is 3m PRIBOR + 3% per annum. On 31 January 2019 the loan and accrued interest thereon was repaid and the pledge on the investment property was released.

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2018

20. Debt securities in issue

	2018 €	2017 €
Bonds denominated in euro	4,620,700	-
Bonds denominated in CZK	1,275,074	-
	<u>5,895,774</u>	<u>-</u>

A subsidiary of the Group, PPH Nove Mesto s.r.o. has issued the following private bonds:

- placement:	€4,000,000
- date of issue:	6 September 2018
- coupon rate:	5.5% per annum
- maturity:	6 September 2021
- placement:	€550,000
- date of issue:	1 June 2017
- coupon rate:	5.5% per annum
- maturity:	31 December 2020
- placement:	CZK32,800,000
- date of issue:	15 June 2018
- coupon rate:	5.5% per annum
- maturity:	16 June 2021

21. Deferred taxation

	At 1 Jan €	Acquired upon acquisition €	Movement for the year €	Exchange variance €	At 31 Dec €
2018					
Deferred tax assets	-	(92,161)	(41,144)	122	(133,183)
Deferred tax liabilities	-		2,514,420	(7,526)	2,506,894
2017	At 9 Aug 2016 €	Acquired upon acquisition €	Movement for the period €	Exchange variance €	At 31 Dec €
Deferred tax liabilities	-	-	1,557,857	-	-
Transfer to liabilities for sale (note 23)	-	-	(1,557,857)	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2018

21. Deferred taxation (continued)

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 2018. The deferred tax assets arise on tax losses incurred by the Group and are considered to be realisable once taxable income is being generated from 2021. The tax losses can be carried forward for 5 years before expiring.

22. Cash flow adjustments and changes in working capital

The following non-cash flow adjustments and adjustments for changes in working capital have been made to the profit for the year to arrive at operating cash flows:

	2018 €	2017 €
Adjustments:		
Fair value gain on investment properties	(13,262,117)	-
Gain from bargain purchases	(1,137,672)	-
Gain on disposal of subsidiary	(260,452)	-
Goodwill	1,697,160	-
Depreciation	1,972	-
Net unrealised gain on exchange difference	(121,745)	-
Interest receivable	(53,096)	-
Interest payable	80,560	-
	<u>(13,055,390)</u>	<u>-</u>
Working capital:		
Receivables and prepayments	679,629	(22,251)
Trade and other payables	(688,279)	67,566
	<u>(8,650)</u>	<u>45,315</u>

23. Assets and liabilities 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 for the early months of 2018 are immaterial and therefore have not been disclosed as a single line item in the statement of total comprehensive income.

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2018

23. Assets and liabilities held for sale and discontinued operations (continued)

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

a)	Results	01.01.2018	09.08.2016
		to	to
		31.12.2018	31.12.2017
		<i>12 months</i>	<i>17 months</i>
		€	€
	Gross rental income	-	890,391
	Net property expenses	-	(150,476)
		<u>-</u>	<u>739,915</u>
	Administrative and other expenses	-	(130,631)
	Finance costs	-	(160,104)
	Change in fair value of investment property	-	2,493,548
		<u>-</u>	<u>2,202,823</u>
	Profit from discontinued operations	-	2,942,728
	Tax expense	-	(558,173)
	Profit for the period from discontinued operations	<u>-</u>	<u>2,384,555</u>

b) Carrying amount of assets held for sale

	2018	2017
	€	€
Non-current asset		
Investment property	-	11,905,228
Current assets		
Receivables	-	87,965
Cash and cash equivalents	-	495,424
Assets held for sale	<u>-</u>	<u>12,488,617</u>

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2018

23. Assets and liabilities held for sale and discontinued operations (continued)

c) Carrying amount of liabilities held for sale

	2018	2017
	€	€
Non-current liabilities		
Bank loan	-	4,274,956
Other long term liabilities	-	67,090
Deferred tax	-	1,557,857
	<u>-</u>	<u>5,899,903</u>
Current liabilities		
Bank loan	-	169,706
Taxation	-	42,717
Other payables	-	101,714
	<u>-</u>	<u>314,137</u>
Liabilities held for sale	<u>-</u>	<u>6,214,040</u>

d) Cash flows

	01.01.2018	09.08.2016
	to	to
	31.12.2018	31.12.2017
	<i>12 months</i>	<i>17 months</i>
Operating activities	-	511,640
Investing activities	-	(19,046)
Financing activities	-	(238,265)
Cash flows from discontinued operations	<u>-</u>	<u>254,329</u>

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2018

24. Share capital

	Authorised €	2018 Issued and called up €	2017 Issued and called up €
Ordinary A shares of €1 each	1,000,000	11,651	11,650
Ordinary B shares of €1 each	150,000,000	1,000,000	1,000,000
Cumulative preference shares	15,000	-	-
	151,015,000	1,011,651	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.

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 share with a nominal value of €0.0001.

On 29 January 2018 the one preference share was redesignated as 1 Ordinary A share 100% paid up.

Except for the appointment and removal of board members and issue of Preference shares in general meeting which grant the Ordinary A shareholders 1,000,000 votes for each A share in general meeting each share in the company gives the holder thereof the right to one (1) vote at any general meeting of the company.

25. 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 includes current and prior period results.

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

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2018

26. 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	
				2018	2017
<u>Held by Julius Meinl Living plc</u>					
Julius Meinl Living Holdings Ltd	Investment holding	9 Aug 2016	Malta	100%	100%
<u>Held by Julius Meinl Living Holdings Ltd</u>					
Julius Meinl Living CZ s.r.o.	Property management	25 Aug 2016	Czech Republic	100%	100%
PPH Nove Mesto s.r.o.	Asset company	19 June 2018	Czech Republic	75%	-
Julius Meinl Prime Homes s.r.o.	Property management	1 Nov 2018	Czech Republic	100%	-
Moravsky Bytovy Fond s.r.o.	Asset company	15 Sep 2016	Czech Republic	-	100%

27. 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 21.

On 19 June 2018 the Group, through its subsidiary, Julius Meinl Living Holdings Limited, acquired 75% of the share capital of PPH Nove Mesto s.r.o., an asset company incorporated in the Czech Republic.

On 1 November 2018 the Group, through its subsidiary, Julius Meinl Living Holdings Limited, acquired 100% of the share capital of Julius Meinl Prime Homes s.r.o., a property management company incorporated in the Czech Republic.

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2018

28. Related party disclosures

Julius Meinl Living plc is the parent company of the undertakings highlighted in note 26. 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.

Amounts due from and to related parties are disclosed in notes 16 and 18.

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 transactions between related parties except as disclosed in note 10.

29. Capital commitments

The Company is in the process of reconstruction of a building in Prague, Czech Republic into serviced residential and commercial property. Based on the current budget, costs to finalise the reconstruction before expected opening in 2021 amounts to approximately €26,000,000; however no material contract in this respect has yet been signed. There are no other capital commitments as at 31 December 2018. There were no capital commitments as at 31 December 2017.

30. Fair values of financial assets and financial liabilities

At 31 December 2018 and 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.

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2018

31. Fair values of non-financial assets

The following table presents non-financial assets measured at fair value in the statement of financial position in accordance with the fair value hierarchy. This hierarchy groups non-financial assets into three levels based on the significance of inputs used in measuring the fair value of the non-financial assets.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

The level within which the non-financial asset is classified is determined based on the lowest level of significant input to the fair value measurement.

The following table shows the levels within the hierarchy of non-financial assets of the Group measured at fair value at 31 December 2018 and 2017:

	Level 1 €	Level 2 €	Level 3 €	Total €
31 December 2018				
Investment property	-	34,519,342	-	34,519,342
31 December 2017				
Investment property -asset held for sale	-	11,905,228	-	11,905,228

Refer to note 15 for details of the valuation techniques used in measuring the fair value.

32. 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.

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2018

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

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 at the end of the reporting period is analysed below:

	Notes	2018 €	2017 €
Classes of financial assets – carrying amounts			
Non-current			
- Loans	16	176,724	261,241
Current			
- Loans and receivables	16	623,103	22,251
- Cash and cash equivalents	17	13,451,184	3,508,561
		<u>14,251,011</u>	<u>3,795,053</u>

Credit risk arises from cash and cash equivalents and credit exposures to borrowers. Cash and cash equivalents consist of cash at hand and cash held at financial institutions. In determining the ECL for cash and cash equivalents, the directors have considered the fact that the major part of cash and cash equivalents is held with a counterparty with a credit rating of BBB and is callable on demand. The directors consider the probability of default to be close to zero as the counterparty has a strong capacity to meet its contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Group.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover debts. Furthermore, the Group reviews the recoverable amount of each debt investment on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2018, the Group's maximum exposure to credit risk arises from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2018

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

Credit risk (continued)

Category	Description	Basis for recognising ECL
Performing	A low risk of default and no past due amounts.	12-month ECL
Doubtful	Amount is greater than 30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is greater than 90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery.	Amount is written off

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, cash and cash equivalents and bank loans in the Czech subsidiaries are in Czech 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 debt securities and bank loans with a carrying amount of €9,227,518 equivalent which is partly offset by exposure to Czech koruna-denominated cash and cash equivalents with a carrying amount of €5,029,701. 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 debt securities and bank loans to finance its operations as disclosed in notes 19 and 20. 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 €79,366. 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.

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2018

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

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 financial liabilities as at 31 December 2018 and 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 €
2018				
Debt securities	-	6,722,514	-	6,722,514
Bank borrowings	7,985,974	-	-	7,985,974
Trade and other payables	611,864	-	-	611,864
	<u>8,597,838</u>	<u>6,722,514</u>	<u>-</u>	<u>15,320,352</u>
2017				
Trade and other payables	<u>67,566</u>	<u>-</u>	<u>-</u>	<u>67,566</u>

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 period under review may also be categorised as follows. See note 4.7 for explanations about how the category of financial instruments affects their subsequent measurement.

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2018

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

Summary of financial instruments by category (continued)

	Notes	2018 €	2017 €
Non-current assets			
At amortised cost:			
- Loans	16	176,724	264,241
Current assets			
At amortised cost:			
- Loans and receivables	16	623,105	22,251
- Cash and cash equivalents	17	13,451,184	3,508,561
		<u>14,251,013</u>	<u>3,795,053</u>
Non-current liabilities			
At amortised cost:			
- Debt securities	20	5,895,774	-
Current liabilities			
Financial liabilities measured at amortised cost:			
- Bank loans	19	7,936,557	-
- Trade and other payables	18	611,864	67,566
		<u>14,444,195</u>	<u>67,566</u>

33. 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.

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2018

34. Events after the end of the reporting period

Since the end of the reporting period, the Group has continued to work on its strategy to become a major player in the serviced residences sector. This has involved work on the Group's existing project in Prague which is approaching the full start of construction, the preparation of the launch of a medium term note programme in order to give the Company and the Group added sources of financing and flexibility to expand in accordance with its strategy, and effort to find additional projects meeting the Group's criteria for expansion, with concrete opportunities being pursued in Budapest, Belgrade and Bucharest.

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 45 which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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.

Julius Meinl Living plc

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.

Julius Meinl Living plc

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

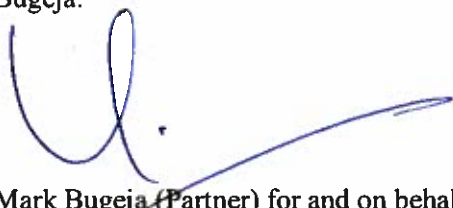
Report on other legal and regulatory requirements

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

30 April 2019