

# **Julius Meinl Living plc**

**C 76799**

## **Report and consolidated financial statements**

Year ended 31 December 2019

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# Julius Meinl Living plc

## Directors, officer and other information

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*Directors:* Edward Camilleri  
Edward Carbone (resigned 6 March 2020)  
Nadine Elisabeth Gilles  
Nicholas Hill  
Peter Weinzierl  
Erik Webb Dempsey (appointed 11 March 2020)

*Secretary:* Michael Scicluna

*Registered office:* Office 16  
Verdala Business Centre  
Level 1  
LM Complex  
Brewery Street  
Zone 3, Central Business District  
Birkirkara CBD 3040  
Malta

*Country of incorporation:* Malta

*Company registration number:* C 76799

*Auditor:* Grant Thornton  
Fort Business Centre  
Triq L-Intornjatur, Zone 1  
Central Business District  
Birkirkara CBD 1050  
Malta

# Julius Meinl Living plc

## Directors' report

Year ended 31 December 2019

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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 2019.

### 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 (CEE), 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 €2,466,437 (2018: €18,107,053) arising primarily from an increase in the fair value of investment property and gain on acquisition of additional shares of subsidiary from non-controlling interests.

The shareholders' funds at the end of the reporting period amounted to €31,613,273 (2018: €31,486,992).

### Result and dividends

The result for the year ended 31 December 2019 is shown in the consolidated statement of total comprehensive income on page 6.

No dividend is being recommended by the directors.

### Future business developments

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 2019

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The Group aims to be one of the first movers in the serviced residences sector in the CEE, Southeastern Europe 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 and acquired its first project which is currently for serviced residences in Prague, Czech Republic. This project is under construction and due for completion and opening in 2021. A second project has also been secured for a serviced residence in Belgrade, Serbia which is due to be delivered in Q4 - 2021.

Feasibility study reports confirmed that there is a high demand for high quality serviced residences in Prague, Belgrade 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 continues construction, the continued execution 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, Bucharest and several major cities in Poland.

### Directors

The directors who served during the period were:

Edward Camilleri  
Edward Carbone (resigned 6 March 2020)  
Nadine Elisabeth Gilles  
Nicholas Hill  
Peter Weinzierl  
Erik Webb Dempsey (appointed 11 March 2020)

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 2019

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### 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 12 March 2020 by:



*Edward Camilleri*  
Director



*Erik Webb Dempsey*  
Director



*Peter Weinzierl*  
Director

# Julius Meinl Living plc

## Statement of directors' responsibilities

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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 year on an accruals basis;
- value separately the components of asset and liability items;
- make judgements and estimates that are reasonable and prudent; 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 2019

		<b>01.01.2019</b>	01.01.2018
		<b>to</b>	to
		<b>31.12.2019</b>	31.12.2018
	<i>Notes</i>	<b>€</b>	<b>€</b>
<b>Revenue</b>	6	629,236	8,577,126
General and administrative expenses		(1,633,026)	(504,886)
Net finance costs	7	(590,636)	(27,464)
Net foreign exchange differences		187,610	15,187
Gain on disposal of subsidiary	8	-	260,452
Release of goodwill on disposal of subsidiary		-	(1,697,168)
Release of negative goodwill on acquisition of additional shares of subsidiary	13	(400,332)	-
Fair value gain on investment property	15	3,208,008	13,262,117
Gain from bargain purchases		1,485,156	1,137,672
<b>Profit before tax</b>	9	2,886,016	21,023,036
Income tax expense	11	(642,867)	(2,894,032)
<b>Profit for the year</b>		<u>2,243,149</u>	<u>18,129,004</u>
<b>Other comprehensive income (loss)</b>			
<i>Items that will be reclassified subsequently to profit or loss:</i>			
Deferred exchange difference		223,288	(21,951)
<b>Total comprehensive income</b>		<u>2,466,437</u>	<u>18,107,053</u>
<b>Profit for the year attributable to:</b>			
Owners of the parent company		2,039,469	15,493,013
Non-controlling interest		203,680	2,635,991
		<u>2,243,149</u>	<u>18,129,004</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent company		2,260,665	15,478,954
Non-controlling interest		205,772	2,628,099
		<u>2,466,437</u>	<u>18,107,053</u>
<b>Basic earnings per share</b>	12	<u>1.95</u>	<u>14.80</u>

The notes on pages 11 to 48 form an integral part of these consolidated financial statements.

# Julius Meinl Living plc

## Consolidated statement of financial position

31 December 2019

	<i>Notes</i>	<b>2019</b> €	2018 €
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Goodwill	13	158,841	-
Property and equipment	14	115,008	64,852
Investment property	15	40,569,390	34,519,342
Loans and receivables	16	139,234	176,724
Right-of-use assets	23	102,264	-
Deferred tax assets	21	179,693	133,183
		<u>41,264,430</u>	<u>34,894,101</u>
<b>Current assets</b>			
Loans and receivables	16	786,170	623,105
Current tax asset		2,291,647	2,291,647
Cash and cash equivalents	17	20,201,098	13,451,184
		<u>23,278,915</u>	<u>16,365,936</u>
<b>Total assets</b>		<u>64,543,345</u>	<u>51,260,037</u>
<b>Current liabilities</b>			
Bank borrowings	19	-	7,936,557
Trade and other payables	18	1,943,454	628,140
Lease liabilities	29	4,963	-
Debt securities in issue	20	300,000	-
Current tax liability		2,938,387	2,713,125
		<u>5,186,804</u>	<u>11,277,822</u>
<b>Non-current liabilities</b>			
Other financial liabilities	33	131,098	92,555
Lease liabilities	29	79,496	-
Debt securities in issue	20	24,528,769	5,895,774
Deferred tax liabilities	21	3,003,905	2,506,894
		<u>27,743,268</u>	<u>8,495,223</u>
<b>Total liabilities</b>		<u>32,930,072</u>	<u>19,773,045</u>
<b>Net assets</b>		<u>31,613,273</u>	<u>31,486,992</u>

## Julius Meinl Living plc

### Consolidated statement of financial position

31 December 2019

	Notes	2019 €	2018 €
<b>EQUITY</b>			
Share capital	24	1,011,651	1,011,651
Share premium	25	9,000,000	9,000,000
Translation reserve	25	207,053	(14,143)
Retained earnings	25	19,130,163	17,090,694
<b>Equity attributable to owners of the parent</b>		<b>29,348,867</b>	<b>27,088,202</b>
Equity attributable to non-controlling interest		2,264,406	4,398,790
<b>Total equity</b>		<b>31,613,273</b>	<b>31,486,992</b>

The notes on pages 11 to 48 form an integral part of these consolidated financial statements.

These consolidated financial statements were approved by the directors, authorised for issue on 12 March 2020 and signed by:



Edward Camilleri  
Director



Erik Webb Dempsey  
Director



Peter Wenzler  
Director

# Julius Meinl Living plc

## Consolidated statement of changes in equity

31 December 2019

	Share capital €	Share premium €	Translation reserve €	Retained earnings €	Attributable to owners of the parent €	Non- controlling interest €	Total €
<b>Balance at 1 January 2018</b>	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)
<b>Balance at 31 December 2018</b>	<b>1,011,651</b>	<b>9,000,000</b>	<b>(14,143)</b>	<b>17,090,694</b>	<b>27,088,202</b>	<b>4,398,790</b>	<b>31,486,992</b>
<b>Balance at 1 January 2019</b>	1,011,651	9,000,000	(14,143)	17,090,694	27,088,202	4,398,790	31,486,992
Purchase of non-controlling interest	-	-	-	-	-	(2,340,156)	(2,340,156)
Profit for the year	-	-	-	2,039,469	2,039,469	203,680	2,243,149
Other comprehensive income	-	-	221,196	-	221,196	2,092	223,288
<b>Balance at 31 December 2019</b>	<b>1,011,651</b>	<b>9,000,000</b>	<b>207,053</b>	<b>19,130,163</b>	<b>29,348,867</b>	<b>2,264,406</b>	<b>31,613,273</b>

The notes on pages 11 to 48 form an integral part of these consolidated financial statements.

# Julius Meinl Living plc

## Consolidated statement of cash flows

Year ended 31 December 2019

	<b>01.01.2019</b>	01.01.2018
	<b>to</b>	to
	<b>31.12.2019</b>	31.12.2018
	<b>€</b>	<b>€</b>
<i>Notes</i>		
<b>Cash flows from operating activities</b>		
Profit before tax	2,886,016	21,023,036
Adjustments	22 (3,855,422)	(13,055,390)
Working capital	22 619,801	(8,650)
Interest received	7,892	-
Taxes paid	(722)	-
<i>Net cash flows (used in) from operating activities</i>	<u>(342,435)</u>	<u>7,958,996</u>
<b>Cash flows from investing activities</b>		
Net loans to related parties	(50,000)	(6,369,515)
Payments to non-controlling interests to acquire subsidiaries	(725,008)	-
Net proceeds from sale of subsidiary	-	4,699,236
Payments to acquire property and equipment	(79,880)	-
Net proceeds from disposal of property and equipment	3,512	-
Payments to acquire right-of-use asset	(130,803)	-
Net payments to develop investment property	(2,351,992)	(1,263,049)
Interest received	-	16,002
<i>Net cash flows used in investing activities</i>	<u>(3,334,171)</u>	<u>(2,917,326)</u>
<b>Cash flows from financing activities</b>		
Proceeds from long-term borrowings and debt securities issued	18,919,924	4,902,066
Repayments of long-term borrowings	(7,936,557)	-
Interest paid	(294,780)	(230,419)
<i>Net cash flows from financing activities</i>	<u>10,688,587</u>	<u>4,671,647</u>
<b>Net movement in cash and cash equivalents</b>	7,011,981	9,713,317
<b>Cash and cash equivalents at the beginning of the year</b>	13,451,184	3,508,561
Cash received from acquisition of subsidiaries	-	351,051
Effect of foreign exchange rate changes	(262,067)	(121,745)
<b>Cash and cash equivalents at the end of the year</b>	<u>17 20,201,098</u>	<u>13,451,184</u>

The notes on pages 11 to 48 form an integral part of these consolidated financial statements.

# Julius Meinl Living plc

## Notes to the consolidated financial statements

31 December 2019

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### 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 (IFRSs) 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 Group’s functional currency.

### 3. Adoption of new and revised International Financial Reporting Standards

*(a) New standards and amendments – applicable 1 January 2019*

#### **IFRS 16 “Leases”**

IFRS 16 replaces IAS 17 ‘Leases’ along with three Interpretations (IFRIC 4 ‘Determining whether an Arrangement contains a Lease’, SIC 15 ‘Operating Leases-Incentives’ and SIC 27 ‘Evaluating the Substance of Transactions Involving the Legal Form of a Lease’).

The adoption of IFRS 16 has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term. On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 5.5%.

# Julius Meinl Living plc

## Notes to the consolidated financial statements

31 December 2019

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

#### *(b) Forthcoming requirements*

At the date of authorisation of these consolidated financial statements, several new, but not yet effective, standards, amendments to existing standards, and interpretations have been published by the IASB. None of these standards, amendments or interpretations have been adopted early by the Group and are not expected to have any effect whatsoever.

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. No new standards, amendments and interpretations are expected to be relevant to the Group's consolidated financial statements.

### 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 consolidated 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 2019. 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. 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.

# Julius Meinl Living plc

## Notes to the consolidated financial statements

31 December 2019

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### 4.2 *Basis of consolidation (continued)*

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 *Property and equipment*

Property 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. Property and equipment are subsequently measured at cost less accumulated depreciation and impairment losses.

# Julius Meinl Living plc

## Notes to the consolidated financial statements

31 December 2019

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### 4.6 *Property and equipment (continued)*

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

- Office furniture and equipment 2–5 years
- Motor vehicle 3–12 years

Gains or losses arising on the disposal of property 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 consolidated 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.

#### *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.

# Julius Meinl Living plc

## Notes to the consolidated financial statements

31 December 2019

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### 4.7 *Financial instruments (continued)*

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.

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.

# Julius Meinl Living plc

## Notes to the consolidated financial statements

31 December 2019

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### 4.7 *Financial instruments (continued)*

The Group recognises a loss allowance for ECL on loans and receivables. 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 loans and receivables.

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.

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.

# Julius Meinl Living plc

## Notes to the consolidated financial statements

31 December 2019

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### 4.7 *Financial instruments (continued)*

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.

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.

Upon the 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.

# Julius Meinl Living plc

## Notes to the consolidated financial statements

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### 4.7 *Financial instruments (continued)*

#### *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 in issue, trade and other payables and other financial liabilities.

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 *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.

#### *Other income*

Other income 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.

# Julius Meinl Living plc

## Notes to the consolidated financial statements

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### 4.9 *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.

### 4.10 *Leased assets*

#### *The Group as lessee*

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’. To apply this definition the company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

At lease commencement date, the Group recognizes a right of use asset and a lease liability on the consolidated balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

# Julius Meinl Living plc

## Notes to the consolidated financial statements

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### 4.10 *Leased assets (continued)*

At lease commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

On the consolidated statement of financial position, right-of-use assets are shown in note 23 and the related lease liability are shown in note 29.

All other leases are treated as operating leases. Payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

### 4.11 *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.

# Julius Meinl Living plc

## Notes to the consolidated financial statements

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### 4.11 *Taxation (continued)*

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.

### 4.12 *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.

### 4.13 *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

# Julius Meinl Living plc

## Notes to the consolidated financial statements

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### 4.13 *Foreign currencies (continued)*

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.

### 4.14 *Cash and cash equivalents*

Cash and cash equivalents comprise 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 4.14, 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 consolidated financial statements.

# Julius Meinl Living plc

## Notes to the consolidated financial statements

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### 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.

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<b>6. Revenue</b>	<b>01.01.2019 to 31.12.2019 €</b>	<b>01.01.2018 to 31.12.2018 €</b>
Success fee	-	8,500,000
Management services	375,539	77,126
Other	253,697	
	<u>629,236</u>	<u>8,577,126</u>

<b>7. Net finance costs</b>	<b>01.01.2019 to 31.12.2019 €</b>	<b>01.01.2018 to 31.12.2018 €</b>
Finance costs	(633,153)	(80,560)
Finance income	42,517	53,096
Net finance costs	<u>(590,636)</u>	<u>(27,464)</u>

### 8. Gain on disposal of subsidiary

During 2018, the Group's investment in Moravský Bytový Fond s.r.o. had been sold to a third party. The gain on disposal including direct selling costs had been recorded in the consolidated statement of total comprehensive income as follows:

	<b>01.01.2019 to 31.12.2019 €</b>	<b>01.01.2018 to 31.12.2018 €</b>
Consideration	-	4,837,329
Net asset value	-	(4,438,784)
Professional fees	-	(138,093)
Gain on disposal	<u>-</u>	<u>260,452</u>

# Julius Meinl Living plc

## Notes to the consolidated financial statements

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### 9. Profit before tax

Profit before tax is stated after charging the items below:

	<b>01.01.2019</b> to <b>31.12.2019</b> €	01.01.2018 to 31.12.2018 €
Auditor's remuneration	34,894	40,238
Key management personnel compensation	166,666	140,000
Depreciation and amortisation	54,987	1,972
	<u><u>          </u></u>	<u><u>          </u></u>

### 10. Key management personnel compensation

	<b>01.01.2019</b> to <b>31.12.2019</b> €	01.01.2018 to 31.12.2018 €
<i>Directors' compensation</i>		
Short term benefits:		
Fees	166,666	140,000
	<u><u>          </u></u>	<u><u>          </u></u>

### 11. Income tax expense

	<b>01.01.2019</b> to <b>31.12.2019</b> €	01.01.2018 to 31.12.2018 €
Deferred tax expense	(416,886)	(2,473,276)
Current tax expense	(225,981)	(38,814)
Tax charge at source	-	(2,673,589)
Tax refund receivable	-	2,291,647
	<u><u>          </u></u>	<u><u>          </u></u>
	<u><u>(642,867)</u></u>	<u><u>(2,894,032)</u></u>

# Julius Meinl Living plc

## Notes to the consolidated financial statements

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### 11. Income tax expense (continued)

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

	<b>01.01.2019</b> <b>to</b> <b>31.12.2019</b> €	01.01.2018 to 31.12.2018 €
Profit before tax	2,886,016	21,023,036
Tax at the applicable rate of 35%	(1,010,106)	(7,358,063)
<i>Tax effect of:</i>		
Tax rate applicable in foreign jurisdiction	345,989	2,082,758
Non-taxable gain on disposal of subsidiary	506,171	332,580
Deemed notional interest received	58,824	265,071
Expenses not deductible for tax purposes	(523,343)	(103,328)
Tax refund receivable	508	2,291,647
FRFTC relief	107,745	1,322
Consolidation adjustments	(128,655)	(406,019)
<b>Income tax expense for the year</b>	<b>(642,867)</b>	<b>(2,894,032)</b>

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

### 12. Basic earnings per share

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

### 13. Goodwill

	<b>2019</b> €	2018 €
Acquisition of additional shares in Julius Meinl Prime Homes s.r.o.	99,668	-
Acquisition of Julius Meinl Living doo Belgrade	59,173	-
	<u>158,841</u>	<u>-</u>

As explained in note 27, in 2018, the group acquired the entire share capital of Julius Meinl Prime Homes s.r.o. During the year under review, the company paid an additional amount of €500,000 in connection with that acquisition. This resulted in the reversal of negative goodwill of €400,332, which was recognised in 2018, in the

# Julius Meinl Living plc

## Notes to the consolidated financial statements

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### 13. Goodwill (continued)

current year's consolidated statement of total comprehensive income, and in the recognition of goodwill amounting to €99,668 in the consolidated statement of financial position.

### 14. Property and equipment

#### *Office equipment*

	<b>2019</b>	2018
	€	€
<b>Cost</b>		
As at 1 January	66,824	63,573
Advance payment	-	3,251
Additions during the year	2,847	-
Foreign exchange adjustments	637	-
<b>As at 31 December</b>	<u>70,308</u>	<u>66,824</u>
<b>Depreciation</b>		
As at 1 January	1,972	-
Charge for the year	15,902	1,972
<b>As at 31 December</b>	<u>17,874</u>	<u>1,972</u>
<b>Net book value as at 31 December</b>	<u>52,434</u>	<u>64,852</u>

#### *Motor vehicles*

	<b>2019</b>	2018
	€	€
<b>Cost</b>		
Additions during the year	77,033	-
Foreign exchange adjustments	(111)	-
Disposal	(3,512)	-
<b>As at 31 December</b>	<u>73,410</u>	<u>-</u>
<b>Depreciation</b>		
Charge for the year	10,836	-
<b>As at 31 December</b>	<u>10,836</u>	<u>-</u>
<b>Net book value as at 31 December</b>	<u>62,574</u>	<u>-</u>
<b>Total</b>	<u>115,088</u>	<u>64,852</u>

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### 15. Investment property

	2019 €	2018 €
<b>At 1 January</b>	34,519,342	-
Acquired during the year	-	20,033,789
Additions	2,390,535	1,263,049
Effect of foreign exchange	451,505	(39,613)
Fair value gain	3,208,008	13,262,117
<b>At 31 December</b>	<u>40,569,390</u>	<u>34,519,342</u>

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

The property was valued at 9 December 2019 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.

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### 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>  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.	PPH Nove Mesto s.r.o. property  Average annual gross rental income of approx €5 million in year 1 of cash flow increasing to €8 million from year 4  Occupancy rate in the range of 70% to 80%  Discount rate applied 9%  The exit yield considered to be 6.5%	The estimated fair value would increase/(decrease) if:  - Average rental rates were higher/(lower) hence higher/(lower) net rental income  - The vacancy rates were lower/(higher)  - The risk-adjusted discount rate were lower/(higher)  - The exit yield lower/(higher)

### 16. Loans and receivables

	2019	2018
	€	€
<b>At amortised cost:</b>		
<i>Non-current</i>		
Loans due from related parties	50,000	176,724
Other receivables	89,234	-
	<u>139,234</u>	<u>176,724</u>

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## Notes to the consolidated financial statements

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### 16. Loans and receivables (continued)

During 2019, a subsidiary of the Group and PPH Pechackova s.r.o entered into a facility agreement whereby the subsidiary company provide to the latter a loan facility up to €500,000. The balance bears interest at 6% per annum and is repayable by 31 December 2024. 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 consolidated financial statements.

	2019	2018
	€	€
<b>At amortised cost:</b>		
<i>Current</i>		
Loans due from related parties	365,145	163,379
Amounts due from related parties	-	246,923
Trade and other receivables	421,025	212,803
	<u>786,170</u>	<u>623,105</u>

On 3 July 2017, the Company and Stoneham Investments Limited had 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. Principal and accrued interest amounted to €189,366 (2018: €176,724). 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.

In April 2018, the Company and OOO Soyuz Property Development (Soyuz) entered into loan agreements whereby amounts up to €155,000 were granted to Soyuz. The balance is unsecured, bears interest at 8% per annum and is repayable together with interest accruing thereon on 31 December 2020. The identified impairment loss of IFRS 9 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 consolidated financial statements.

The balance on loans due from related parties amounting to €175,779 (2018: €163,379) is secured, bears interest at 8% per annum and is repayable by 31 December 2020. 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 consolidated financial statements.

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## Notes to the consolidated financial statements

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### 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:

	<b>2019</b>	2018
	€	€
Cash at bank	20,201,098	12,479,329
Short-term deposit	-	971,855
	<u>20,201,098</u>	<u>13,451,184</u>

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

Whilst the Group is subject to certain covenants in relation to debt securities it has issued, it 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.

### 18. Trade and other payables

	<b>2019</b>	2018
	€	€
Trade and other payables	1,385,470	450,253
Accruals	557,322	128,470
Amounts due to related parties	662	49,417
	<u>1,943,454</u>	<u>628,140</u>

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## Notes to the consolidated financial statements

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### 19. Bank borrowings

	2019	2018
	€	€
Bank loans - current	-	7,936,557
	<u>-</u>	<u>7,936,557</u>

A subsidiary of the Group, PPH Nove Mesto s.r.o. had a loan facility with Expobank CZ a.s., granted in CZK (Czech Koruna) which was secured by a pledge on the company's investment property. Interest was 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.

### 20. Debt securities in issue

	2019	2018
	€	€
<i>Non-current</i>		
Bonds denominated in euro	23,237,939	4,620,700
Bonds denominated in CZK	1,290,830	1,275,074
	<u>24,528,769</u>	<u>5,895,774</u>
<i>Current</i>		
Bonds denominated in euro	300,000	-
	<u>300,000</u>	<u>-</u>

The subsidiaries of the Group have bonds issued as follows:

#### PPH Nove Mesto s.r.o

- placement: €4,000,000
- date of issue: 6 September 2018
- coupon rate: 5.5% per annum
- maturity: 6 September 2021
  
- placement: €300,000
- 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

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### 20. Debt securities in issue (continued)

JML Finance (Luxembourg) S.a.r.l	
- placement:	€24,112,000
- date of issue:	26 September 2019
- coupon rate:	7% per annum
- maturity:	26 September 2024

### 21. Deferred taxation

	At 1 Jan	Acquired upon acquisition	Movement for the year	Exchange variance	At 31 Dec
	€	€	€	€	€
<b>2019</b>					
Deferred tax assets	(133,183)	-	(44,408)	(2,102)	(179,693)
Deferred tax liabilities	2,506,894	-	461,295	35,716	3,003,905
<b>2018</b>					
Deferred tax assets	-	(92,161)	(41,144)	122	(133,183)
Deferred tax liabilities	-	-	2,514,420	(7,526)	2,506,894

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 2019 and 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 consolidated profit before tax to arrive at operating cash flows:

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### 22. Cash flow adjustments and changes in working capital (continued)

	2019	2018
	€	€
<b>Adjustments:</b>		
Fair value gain on investment properties	(3,208,008)	(13,262,117)
Gain from bargain purchases	(1,485,156)	(1,137,672)
Gain on disposal of subsidiary	-	(260,452)
Release of goodwill on disposal of subsidiary	-	1,697,160
Release of negative goodwill on acquisition of additional shares of subsidiary	400,332	-
Depreciation and amortisation	54,987	1,972
Net foreign exchange difference	(208,213)	(121,745)
Interest receivable	(42,517)	(53,096)
Interest payable	633,153	80,560
	<u>(3,855,422)</u>	<u>(13,055,390)</u>
<b>Working capital:</b>		
Receivables and prepayments	(85,916)	679,629
Trade and other payables	705,717	(688,279)
	<u>619,801</u>	<u>(8,650)</u>

### 23. Right-of-use assets

	2019
	€
<b>Cost</b>	
Additions during the year	130,803
Foreign exchange adjustments	(290)
<b>As at 31 December</b>	<u>130,513</u>
<b>Amortisation</b>	
Charge for the year	(28,249)
<b>Net book value as at 31 December</b>	<u>102,264</u>

Refer to note 29 for further details about the group's right-of-use assets.

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## Notes to the consolidated financial statements

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### 24. Share capital

	2019	2018
	Issued and called up	Issued and called up
Authorised	€	€
Ordinary A shares of €1 each	1,000,000	11,651
Ordinary B shares of €1 each	150,000,000	1,000,000
Cumulative preference shares	15,000	-
	<u>151,015,000</u>	<u>1,011,651</u>

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

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### 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	
				2019	2018
<i>Held by Julius Meinl Living plc</i>					
Julius Meinl Living Holdings Limited	Investment holding	9 Aug 2016	Malta	100%	100%
JML Finance (Luxembourg) S.a.r.l.	Asset company	13 Mar 2019	Luxembourg	100%	-
<i>Held by Julius Meinl Living Holdings Limited</i>					
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	88.33%	75%
Julius Meinl Prime Homes s.r.o.	Property management	1 Nov 2018	Czech Republic	100%	100%
Julius Meinl Living doo Belgrade	Property management	31 Oct 2019	Serbia	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 s.r.o., 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 which sale resulted in a gain on disposal as disclosed in note 8.

# Julius Meinl Living plc

## Notes to the consolidated financial statements

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### 27. Acquisition of subsidiaries (continued)

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. Between October and December 2019 the Group, through its subsidiary, Julius Meinl Living Holdings Limited, acquired further 13.33% of the share capital of PPH Nove Mesto s.r.o., bringing its total holding therein to 88.33%.

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.

On 13 March 2019, the Company acquired 100% of the share capital of JML Finance (Luxembourg), an asset company incorporated in the Grand Duchy of Luxembourg.

On 31 October 2019 the Group, through its subsidiary, Julius Meinl Living Holdings Limited, acquired 100% of the share capital of Julius Meinl Living doo Belgrade, an asset company incorporated in Serbia.

### 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.

Loans and 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.

# Julius Meinl Living plc

## Notes to the consolidated financial statements

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### 29. Leases

Lease liability included under other financial liabilities in the consolidated statement of financial position is as follows:

	2019	2018
	€	€
<i>Current</i>		
Lease liabilities	4,963	-
<i>Non-current</i>		
Lease liabilities	79,496	-
	<u>84,459</u>	<u>-</u>

The Group has leases for office premises. The Group has leased these assets from IVG Clear Solution Investment s.r.o. Each lease is included as a right-of-use asset in the consolidated statement of financial position.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the company. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Upon termination, the right-of-use assets shall be returned to the lender in as good a condition as when received by the company, except for reasonable wear and tear. The Group is prohibited from lending or transferring the underlying leased assets. The Group shall ensure that these assets are at all times kept in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure and incur maintenance fees on such items in accordance with the lease contract.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised on balance sheet:

<i>Right of Use Asset</i>	Office premises
<i>No. of right-of-use assets leased</i>	1
<i>Range of remaining term</i>	3.5
<i>Average remaining lease term</i>	3.5
<i>No. of leases with variable payments linked to an index</i>	1

# Julius Meinl Living plc

## Notes to the consolidated financial statements

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### 29. Leases (continued)

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2019 were as follows:

#### *Minimum lease payments*

	Not later than 1 year	Later than one year but not later than five years	Later than five years	Total
Lease payments	29,019	79,496	-	108,515
Finance charges	(5,968)	(7,972)	-	(13,940)
Net present values	<u>23,051</u>	<u>71,524</u>	<u>-</u>	<u>94,575</u>

#### *Lease payments not recognised as a liability*

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

Additional information on the right-of-use assets is disclosed in note 23.

### 30. 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. The contract with a general contractor was signed in 2019 for a total amount CZK 499,000,000.

A forward purchase agreement was signed for the acquisition of a project in Belgrade, Serbia which is in the initial planning phases and due to start construction in approximately Autumn 2020. The Company is committed towards the fixed

# Julius Meinl Living plc

## Notes to the consolidated financial statements

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### 30. Capital commitments (continued)

purchase price of €23,810,308 in which VAT is included (Contractual Total Purchase Price). This purchase price is due on delivery, which is expected in Q4 - 2021.

There were no capital commitments as at 31 December 2018.

### 31. Fair values of financial assets and financial liabilities

At 31 December 2019 and 2018, 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.

### 32. 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.

# Julius Meinl Living plc

## Notes to the consolidated financial statements

31 December 2019

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### 32. Fair values of non-financial assets (continued)

The following table shows the levels within the hierarchy of non-financial assets of the Group measured at fair value at 31 December 2019 and 2018:

	Level 1 €	Level 2 €	Level 3 €	Total €
<b>31 December 2019</b>				
Investment property	-	40,569,390	-	40,569,390
<b>31 December 2018</b>				
Investment property	-	34,519,342	-	34,519,342

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

### 33. 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.

# Julius Meinl Living plc

## Notes to the consolidated financial statements

31 December 2019

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### 33. Financial instrument risk management objectives and policies (continued)

#### *Credit risk (continued)*

The Group's exposure to credit risk at the end of the reporting period is analysed below:

	<i>Notes</i>	<b>2019</b> €	2018 €
Classes of financial assets – carrying amounts			
<b>Non-current asset</b>			
Financial asset at amortised costs:			
- Loans and receivables	16	139,234	176,724
<b>Current assets</b>			
Financial assets at amortised costs:			
- Loans and receivables	16	786,170	623,105
- Cash and cash equivalents	17	20,201,098	13,451,184
		<u>21,126,502</u>	<u>14,251,013</u>

Credit risk arises from cash and cash equivalents and credit exposures to borrowers. Cash and cash equivalents consist of 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.

# Julius Meinl Living plc

## Notes to the consolidated financial statements

31 December 2019

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### 33. Financial instrument risk management objectives and policies (continued)

#### *Credit risk (continued)*

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 2019, 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.

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

#### *Foreign currency risk*

The Group operates internationally and is exposed to foreign exchange risk; primarily the Czech koruna (CZK). The Czech koruna was and is expected to be stable with very limited fluctuations against the Euro (EUR). 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.

Foreign currency denominated financial assets and financial liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into EUR at the closing rate as of 31 December of the respective financial years:

# Julius Meinl Living plc

## Notes to the consolidated financial statements

31 December 2019

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### 33. Financial instrument risk management objectives and policies (continued)

#### *Foreign currency risk (continued)*

<b>Exposure</b>	<b>Short-term</b>	<b>Long-term</b>	<b>Total</b>
<b>Currency</b>	<b>CZK</b>	<b>CZK</b>	<b>CZK</b>
<b>31 December 2019</b>			
Cash & cash equivalents	507,912	-	507,912
Other financial assets	273,010	139,234	412,244
Financial liabilities	(1,465,623)	(1,670,326)	(3,135,949)
Net Exposure	<u>(684,701)</u>	<u>(1,531,092)</u>	<u>(2,215,793)</u>
<b>31 December 2018</b>			
Cash & cash equivalents	5,029,176	-	5,029,176
Other financial assets	409,692	-	409,692
Financial liabilities	(8,457,526)	(6,025,038)	(14,482,564)
Net Exposure	<u>(3,018,658)</u>	<u>(6,025,038)</u>	<u>(9,043,696)</u>

Volatility is a measure of the fluctuations in the underlying exchange rate over a given time period. It is expressed as a percentage and computed as the annualized standard deviation of percentage change in daily price. High values mean high risk. Volatility for the CZK/EUR currency pair between 1 January and 31 December for the years 2019 and 2018 was approximately 3.64%, and 3.07% respectively. By comparison USD/EUR currency pair volatility over the same periods was 5.33% and 6.89% respectively. The minimum / maximum exchange rates for the for the CZK/EUR currency pair between 1 January and 31 December was approximately 25.39 /25.99 and 25.11 / 26.18 for the respective years 2019 and 2018 representing a difference between the highest and lowest exchange rates of approximately 2.4% and 4.3% during the respective years 2019 and 2018.

The following table illustrates the sensitivity of profit and equity relating to the Group's financial assets and financial liabilities and the CZK/EUR exchange rate 'all other things being equal'. It assumes a +/- 6% change of the CZK/EUR exchange rate for the year ended at 31 December 2019 (2018: +/- 8%). These percentages have been determined based on the management's interpretation of the volatility in exchange rates in the previous twelve months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting

# Julius Meinl Living plc

## Notes to the consolidated financial statements

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### 33. Financial instrument risk management objectives and policies (continued)

#### *Foreign currency risk (continued)*

date. The Group does not currently enter into account forward exchange contracts that would offset effects from changes in currency exchange rates.

If the CZK had strengthened against the EUR by 6% (2018: 8%) then this would have had the following impact:

<b>CZK strengthens vs. EUR</b>	<b>Profit for the year</b>	<b>Equity</b>
	CZK	CZK
<b>31 December 2019</b>	<b>114,561</b>	-
31 December 2018	636,991	-

If the CZK had weakened against the EUR by 6% (2018: 8%) then this would have had the following impact:

<b>CZK weakens vs. EUR</b>	<b>Profit for the year</b>	<b>Equity</b>
	CZK	CZK
<b>31 December 2019</b>	<b>(101,592)</b>	-
31 December 2018	(542,622)	-

The lower foreign currency exchange rate sensitivity in profit in 2019 compared with 2018 is attributable to a net decrease in foreign currency denominated debt. Equity is not affected because the group does not employ hedging instruments or derivatives.

#### *Interest rate risk*

The Group has fixed 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.

#### *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

# Julius Meinl Living plc

## Notes to the consolidated financial statements

31 December 2019

### 33. Financial instrument risk management objectives and policies (continued)

#### *Liquidity risk (continued)*

availability of raising funds to meet commitments associated with financial instruments.

The maturity analysis of the Group's financial liabilities as at 31 December 2019 and 2018 are given below. These amounts are gross, undiscounted and include estimated interest payments:

	<b>3 months - 1 year €</b>	<b>1 - 5 years €</b>	<b>5+ years €</b>	<b>Total €</b>
<b>2019</b>				
Debt securities in issue	316,500	31,707,280	-	32,023,780
Trade and other payables	651,749	-	-	651,749
Lease liabilities	4,963	79,496	-	84,459
Other financial liabilities	-	131,098	-	131,098
	<u>973,212</u>	<u>31,917,874</u>	<u>-</u>	<u>32,891,086</u>
<b>2018</b>				
Debt securities in issue	-	6,722,514	-	6,722,514
Bank borrowings	7,985,974	-	-	7,985,974
Trade and other payables	611,864	-	-	611,864
Other financial liabilities	-	92,555	-	92,555
	<u>8,597,838</u>	<u>6,815,069</u>	<u>-</u>	<u>15,412,907</u>

#### *Summary of financial instruments by category*

The carrying amounts of the Group's financial assets and financial 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 2019

### 33. Financial instrument risk management objectives and policies (continued)

*Summary of financial instruments by category (continued)*

	Notes	2019 €	2018 €
<b>Non-current assets</b>			
At amortised cost:			
- Loans and receivables	16	139,234	176,724
<b>Current assets</b>			
At amortised cost:			
- Loans and receivables	16	786,170	623,105
- Cash and cash equivalents	17	20,201,098	13,451,184
		<u>21,126,502</u>	<u>14,251,013</u>
<b>Non-current liabilities</b>			
At amortised cost:			
- Debt securities in issue	20	24,528,769	5,895,774
- Lease liabilities	29	79,496	-
- Other financial liabilities		131,098	92,555
		<u>24,739,363</u>	<u>5,988,329</u>
<b>Current liabilities</b>			
At amortised cost:			
- Bank borrowings	19	-	7,936,557
- Debt securities in issue	20	300,000	-
- Trade and other payables	18	651,749	628,140
- Lease liabilities	29	4,963	-
		<u>956,712</u>	<u>8,564,697</u>
		<u>25,696,075</u>	<u>14,553,026</u>

### 34. 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.

# Julius Meinl Living plc

## Notes to the consolidated financial statements

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### 34. Capital management policies and procedures (continued)

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.

### 35. 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 continues construction, the continued 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, Bucharest and several major cities in Poland.

# Julius Meinl Living plc

## Independent auditor's report

31 December 2019

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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 (the "Group") set out on pages 6 to 48 which comprise the consolidated statement of financial position as at 31 December 2019, 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 consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated 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 Consolidated 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 consolidated 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.

# Julius Meinl Living plc

## Independent auditor's report

31 December 2019

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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 consolidated 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 consolidated financial statements**

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRSs 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 consolidated 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

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# Julius Meinl Living plc

## Independent auditor's report

31 December 2019

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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 consolidated 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 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.

# Julius Meinl Living plc

## Independent auditor's report

31 December 2019

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### 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  
Triq L-Intornjatur, Zone 1  
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Malta

12 March 2020