

Julius Meinl Living plc

C 76799

Report and consolidated financial statements

Year ended 31 December 2020

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Julius Meinl Living plc

Directors, officer and other information

Directors: Edward Camilleri
Nadine Elisabeth Gilles
Nicholas Hill
Peter Weinzierl
Erik Webb Dempsey (appointed 10 March 2020)
Julius Max Franz Christian Meinl (appointed 30 March 2020)
Edward Carbone (resigned 13 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 2020

The directors present their report and the audited consolidated financial statements of Julius Meinl Living plc (the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2020.

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 €656,394 (2019: €2,243,149) arising primarily from an increase in the fair value of investment properties 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 €29,420,986 (2019: €31,613,273).

Result and dividends

The result for the year ended 31 December 2020 is shown in the consolidated statement of total comprehensive income on page 7.

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 sub-segment 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 2020

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's first project for serviced residences is in Prague, Czech Republic. This project is under construction and due for completion and opening in Q4-2021. A second project has also been secured for a serviced residence in Belgrade, Serbia which is due to be delivered in Q2-2022.

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. Serviced residences have also generally shown higher performance under the COVID-19 pandemic circumstances compared to standard hotel accommodation offerings.

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.

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

Effects of COVID-19 during FY2020

The COVID-19 pandemic has significantly impacted the hospitality sector worldwide and this situation unfortunately is expected to prevail for some time. The Group continually monitors the hospitality market and is in regular contact with hospitality experts with respect to the COVID situation. The Group sees a general consensus view of a significant revival of the sector in 2022 with stabilisations in 2023.

However, it is still unknown how the situation in different countries will develop over 2021 and beyond where new outbreaks may lead to new travel restrictions and therefore affect. While the opening of the Group's first service residence will only take place at the end of 2021, the post-COVID situation might—depending on the further development of the overall situation in the short-to-mid term—have an impact on the profitability of the equity.

With regards COVID's impacts during FY2020 the Group can generally report the following:

- Given that none of the assets under ownership within the Group are currently operating, COVID has not caused a material impact on operating performance.
- With regards to development and construction progress, the Group's hotels under construction have not experienced any material delays as a result of the COVID environment. Projects currently under development are on track to meet their respective planned opening dates that were set in pre-COVID times.
- The Group has not experienced reductions in fair value estimates of its investment properties during FY2020. However, this cannot be a guarantee of future performance.

Julius Meinl Living plc

Directors' report

Year ended 31 December 2020

- The Group pursued a number of potential acquisition opportunities in FY2020 and continues to negotiate on selected targets. Travel restrictions resulting from COVID has had a negative impact on the ability of key members of the Group's acquisitions team to travel fluidly to conduct on-site inspections of properties for potential acquisition.

With regards to operating under a post-COVID environment, the Group's management is addressing COVID-related issues concerning its target group of guests, and is of the view that its offerings and position in the extended stay accommodation market are highly competitive.

In addition, the Group is exploring "Clean Room" technologies that have a demonstrated anti-COVID effect:

- Technologies such as Titanium Dioxide (TiO₂) nano particle coatings of surface areas have shown promising results towards cleaning the air and reducing airborne viral, bacterial, mould spores and VOC (volatile organic compounds) pollutants.
- Long-lasting anti-bacterial/anti-viral cleaning agents with effectiveness in excess of 7 to 14 days are being considered for wiping surfaces that come into routine human contact.
- HVAC systems can be fitout with ionisation devices within the air ducts producing oxygen clusters (non-Ozone) naturally that purify circulating air from foreign substances and particles, as well as neutralizing odour and generally making the air fresh.

The Group cannot, at this point, guarantee that these technologies will ultimately prove effective and/or be acquired for its assets. However, the Group's management is taking an active approach towards researching and implementing the latest safe environment technologies. The Group sees this as a further potential competitive advantage for the future.

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 continued construction work on the Group's existing projects in Prague and Belgrade, 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, the Netherlands and several major cities in Poland.

Directors

The directors who served during the period were:

Edward Camilleri

Nadine Elisabeth Gilles

Nicholas Hill

Peter Weinzierl

Erik Webb Dempsey (appointed 10 March 2020)

Julius Max Franz Christian Meinel (appointed 30 March 2020)

Edward Carbone (resigned 13 March 2020)

Julius Meinl Living plc

Directors' report

Year ended 31 December 2020

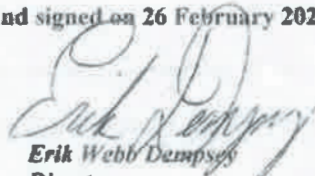
In accordance with the Company's articles of association, the present directors are to remain in office.

Auditor

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

Approved by the directors and signed on 26 February 2021 by:


Edward Camilleri
Director


Erik Webb Dempsey
Director


Peter Weinzierl
Director

Julius Meinl Living plc

Statement of directors' responsibilities

The directors are required by the Companies Act (Cap 386) to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the European Union 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;
- 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; and
- report comparative figures corresponding to those of the preceding accounting period.

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 2020

		01.01.2020	01.01.2019
		to	to
		31.12.2020	31.12.2019
	<i>Notes</i>	€	€
Revenue	6	356,307	629,236
General and administrative expenses		(1,933,800)	(1,633,026)
Net finance costs	7	(2,211,229)	(590,636)
Net foreign exchange differences		(632,352)	187,610
Release of negative goodwill on acquisition of additional shares of subsidiary	12	-	(400,332)
Fair value gain on investment properties	15	4,127,069	3,208,008
Gain from bargain purchases		1,398,638	1,485,156
Profit before tax	8	1,104,633	2,886,016
Income tax expense	10	(448,239)	(642,867)
Profit for the year		<u>656,394</u>	<u>2,243,149</u>
Other comprehensive (loss) income			
<i>Items that will be reclassified subsequently to profit or loss:</i>			
Deferred exchange differences		(584,275)	223,288
Total comprehensive income		<u>72,119</u>	<u>2,466,437</u>
Profit for the year attributable to:			
Owners of the parent company		656,394	2,039,469
Non-controlling interest		-	203,680
		<u>656,394</u>	<u>2,243,149</u>
Total comprehensive income attributable to:			
Owners of the parent company		72,119	2,260,665
Non-controlling interest		-	205,772
		<u>72,119</u>	<u>2,466,437</u>
Basic earnings per share	11	<u>0.63</u>	<u>1.95</u>

The notes on pages 12 to 49 form an integral part of these consolidated financial statements.

Julius Meinl Living plc

Consolidated statement of financial position

31 December 2020

	<i>Notes</i>	2020 €	2019 €
ASSETS AND LIABILITIES			
Non-current assets			
Goodwill	12	158,841	158,841
Property and equipment	13	247,755	115,008
Right-of-use asset	14	71,379	102,264
Investment properties	15	71,281,382	40,569,390
Loans and receivables	16	75,390	139,234
Deferred tax assets	17	173,976	179,693
		<u>72,008,723</u>	<u>41,264,430</u>
Current assets			
Loans and receivables	16	4,622,787	786,170
Current tax asset		-	2,291,647
Cash and cash equivalents	18	16,518,235	20,201,098
		<u>21,141,022</u>	<u>23,278,915</u>
Total assets		<u>93,149,745</u>	<u>64,543,345</u>
Current liabilities			
Trade and other payables	19	2,869,549	1,943,454
Lease liability	20	29,641	4,963
Debt securities in issue	21	1,249,762	300,000
Current tax liability		111,248	2,938,387
		<u>4,260,200</u>	<u>5,186,804</u>
Non-current liabilities			
Bank borrowings	22	2,817,171	-
Other financial liabilities	23	24,478,944	131,098
Lease liability	20	47,325	79,496
Debt securities in issue	21	28,793,114	24,528,769
Deferred tax liabilities	17	3,332,005	3,003,905
		<u>59,468,559</u>	<u>27,743,268</u>
Total liabilities		<u>63,728,759</u>	<u>32,930,072</u>
Net assets		<u>29,420,986</u>	<u>31,613,273</u>

Julius Meinl Living plc

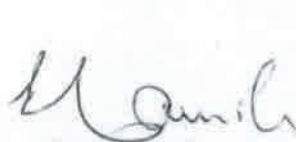
Consolidated statement of financial position


31 December 2020

	Notes	2020 €	2019 €
EQUITY			
Share capital	23	1,011,651	1,011,651
Share premium	24	9,000,000	9,000,000
Translation reserve		(377,222)	207,053
Retained earnings		19,786,557	19,130,163
Equity attributable to owners of the parent		29,420,986	29,348,867
Equity attributable to non-controlling interest		-	2,264,406
Total equity		29,420,986	31,613,273

The notes on pages 12 to 49 form an integral part of these consolidated financial statements.

These consolidated financial statements were approved by the directors, authorised for issue on 26 February 2021 and signed by:


Edward Camilleri
Director


Erik Webb Dempsey
Director


Peter Weinzierl
Director

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Consolidated statement of changes in equity

31 December 2020

	Share capital €	Share premium €	Translation reserve €	Retained earnings €	Equity attributable to owners of the parent €	Non- controlling interest €	Total €
Balance at 1 January 2019	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
Balance at 31 December 2019	1,011,651	9,000,000	207,053	19,130,163	29,348,867	2,264,406	31,613,273
Balance at 1 January 2020	1,011,651	9,000,000	207,053	19,130,163	29,348,867	2,264,406	31,613,273
Purchase of non-controlling interest	-	-	-	-	-	(2,264,406)	(2,264,406)
Profit for the year	-	-	-	656,394	656,394	-	656,394
Other comprehensive loss	-	-	(584,275)	-	(584,275)	-	(584,275)
Balance at 31 December 2020	1,011,651	9,000,000	(377,222)	19,786,557	29,420,986	-	29,420,986

The notes on pages 12 to 49 form an integral part of these consolidated financial statements.

Julius Meinl Living plc

Consolidated statement of cash flows

Year ended 31 December 2020

	01.01.2020	01.01.2019
	to	to
	31.12.2020	31.12.2019
<i>Notes</i>	€	€
Cash flows from operating activities		
Profit before tax	1,104,633	2,886,016
Non-cash adjustments	27 (2,619,827)	(3,855,422)
Changes in working capital	27 (4,130,538)	619,801
Interest received	11,432	7,892
Taxes paid	(560,391)	(722)
<i>Net cash flows used in operating activities</i>	<u>(6,194,691)</u>	<u>(342,435)</u>
Cash flows from investing activities		
Net loans to related parties	-	(50,000)
Payments to non-controlling interests to acquire subsidiaries	(865,767)	(725,008)
Payments to acquire property and equipment	(217,262)	(79,880)
Net proceeds from disposal of property and equipment	45,780	3,512
Payments to acquire right-of-use asset	-	(130,803)
Net payments to develop investment properties	(3,526,086)	(2,351,992)
<i>Net cash flows used in investing activities</i>	<u>(4,563,335)</u>	<u>(3,334,171)</u>
Cash flows from financing activities		
Proceeds from borrowings and debt securities issued	8,672,892	18,919,924
Repayments of borrowings and debt securities issued	(300,000)	(7,936,557)
Repayment of lease liabilities	(28,096)	-
Interest paid	(1,912,768)	(294,780)
<i>Net cash flows from financing activities</i>	<u>6,432,028</u>	<u>10,688,587</u>
Net movement in cash and cash equivalents	(4,325,998)	7,011,981
Cash and cash equivalents at the beginning of the year	20,201,098	13,451,184
Effect of foreign exchange rate changes	643,135	(262,067)
Cash and cash equivalents at the end of the year	18 16,518,235	20,201,098

The notes on pages 12 to 49 form an integral part of these consolidated financial statements.

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2020

1. General information and statement of compliance with International Financial Reporting Standards

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 properties, which are stated at fair value, and in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (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. New or revised standards or interpretations

3.1 *New standards adopted as at 1 January 2020*

Some accounting pronouncements which have become effective from 1 January 2020 and have therefore been adopted do not have a significant impact on the Group’s financial results or position.

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

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

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group’s consolidated financial statements.

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Notes to the consolidated financial statements

31 December 2020

4. Summary of accounting policies

4.1 *Overall considerations and presentation of consolidated 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 2020. Subsidiaries are all entities over which the Group has power to control the financial and operating policies. Julius Meintl 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.

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.

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2020

4. Summary of accounting policies (continued)

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 properties*

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

Subsequent to initial recognition, investment properties are measured at fair value at the end of the reporting period. Gains or losses arising from changes in the fair value of investment properties 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, 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, if any.

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

- Office 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.

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2020

4. Summary of accounting policies (continued)

4.7 *Impairment of goodwill and property and equipment*

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of a related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value-in-use. To determine the value-in-use, the Group's management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by the Group's management.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro-rata to the other assets in the cash-generating unit.

With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

4.8 *Financial instruments*

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

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

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2020

4. Summary of accounting policies (continued)

4.8 *Financial instruments (continued)*

Recognition and derecognition (continued)

As the accounting for financial assets and liabilities remains largely the same under IFRS 9 compared to IAS 39, the Group's financial assets and liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

Classification and initial measurement of financial assets

Except for those receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

The Group does not have any financial assets categorised as FVTPL and FVOCI in the periods presented.

The classification is determined by both:

- the Group's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within 'finance cost', 'finance income' or 'other financial items'.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

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

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's loans and receivables (excluding VAT recoverable) and cash and cash equivalents fall into this category of financial instruments.

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Notes to the consolidated financial statements

31 December 2020

4. Summary of accounting policies (continued)

4.8 *Financial instruments (continued)*

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead, the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

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Notes to the consolidated financial statements

31 December 2020

4. Summary of accounting policies (continued)

4.8 *Financial instruments (continued)*

Classification and measurement of financial liabilities

The Group's financial liabilities include trade and other payables, lease liability, debt securities in issue, bank borrowings and other financial liabilities.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designates a financial liability at fair value through profit or loss (FVTPL).

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'finance costs' or 'finance income'.

4.9 *Revenue and expense recognition*

Revenue arises mainly from management services and finance income.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue from contracts with customers is recognised when control of the Group's services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

The Group evaluates all contractual arrangements it enters into and evaluates the nature of the promised goods or services, and rights and obligations under the arrangement, in determining the nature of its performance obligations. Where such performance obligations are capable of being distinct and are distinct in the context of the contract, the consideration the Group expects to be entitled under the arrangement is allocated to each performance obligation based on their relative stand-alone selling prices. Revenue is recognised at an amount equal to the transaction price allocated to the specific performance obligation when it is satisfied, either at a point in time or over time, as applicable, based on the pattern of transfer of control.

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Notes to the consolidated financial statements

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4. Summary of accounting policies (continued)

4.9 Revenue and expense recognition (continued)

Management services

Management services charged to customers are recognised during the period when the relevant service has been rendered.

Finance income

Finance income is accounted for on an accruals basis by reference to the principal outstanding and applicable interest rates.

General and administrative expenses are recognised in the consolidated statement of total comprehensive income upon utilisation of the service or at the date of their origin.

4.10 Borrowing costs

Borrowing costs include the costs incurred in obtaining external financing.

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

4.11 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 Group 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; and

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4. Summary of accounting policies (continued)

4.11 Leased assets (continued)

The Group as lessee (continued)

- 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 recognises 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.

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.

The Group has elected to account for short-term leases and leases of low value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

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Notes to the consolidated financial statements

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4. Summary of accounting policies (continued)

4.12 Taxation

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

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

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

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

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

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

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

4.13 Employee benefits

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

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Notes to the consolidated financial statements

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4. Summary of accounting policies (continued)

4.14 Foreign currencies

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

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

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

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.

4.15 Cash and cash equivalents

Cash and cash equivalents comprise demand deposits.

4.16 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premium received on the issue of share capital.

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

Retained earnings include all current and prior period retained profits less dividend distributions.

All transactions with owners are recorded separately within equity.

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Notes to the consolidated financial statements

31 December 2020

4. Summary of accounting policies (continued)

4.16 *Equity, reserves and dividend payments (continued)*

Dividend distributions payable to equity shareholders are included in trade and other payables when the dividends are approved in general meeting prior to the end of the reporting period.

4.17 *Provisions*

Provisions are recognised when present obligations will probably lead to an outflow of economic resources from the Group and they can be measured reliably. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, such as product warranties, legal disputes or onerous contracts. Provisions are not recognised for future operating losses. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Long term obligations are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group is virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. All provisions are reviewed at each reporting period and adjusted to reflect the current best estimate of the management.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

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5. Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the Group's consolidated financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgement

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the consolidated financial statements.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which deductible temporary differences and tax loss carry-forward can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment of goodwill and property and equipment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see note 4.7).

Useful lives and residual values of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above.

Fair value measurement

Management uses various valuation techniques to determine the fair value of financial instruments and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

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6. Revenue	01.01.2020	01.01.2019
	to	to
	31.12.2020	31.12.2019
	€	€
Management services	324,106	375,539
Other	32,201	253,697
	<u>356,307</u>	<u>629,236</u>
7. Net finance costs	01.01.2020	01.01.2019
	to	to
	31.12.2020	31.12.2019
	€	€
Finance costs	(2,266,502)	(633,153)
Finance income	55,273	42,517
Net finance costs	<u>(2,211,229)</u>	<u>(590,636)</u>
8. Profit before tax		
Profit before tax is stated after charging the items below:		
	01.01.2020	01.01.2019
	to	to
	31.12.2020	31.12.2019
	€	€
Auditor's remuneration	37,409	34,894
Key management personnel compensation	155,250	166,666
Depreciation	62,298	54,987
	<u>254,957</u>	<u>256,547</u>
9. Key management personnel compensation	01.01.2020	01.01.2019
	to	to
	31.12.2020	31.12.2019
	€	€
<i>Directors' remuneration</i>		
Short term benefits:		
Fees	<u>155,250</u>	<u>166,666</u>

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10. Income tax expense

	01.01.2020 to 31.12.2020 €	01.01.2019 to 31.12.2019 €
Deferred tax expense	(423,340)	(416,886)
Current tax expense	(24,899)	(225,981)
	<u>(448,239)</u>	<u>(642,867)</u>

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

	01.01.2020 to 31.12.2020 €	01.01.2019 to 31.12.2019 €
Profit before tax	1,104,633	2,886,016
Tax at the applicable rate of 35%	(386,622)	(1,010,106)
<i>Tax effect of:</i>		
Tax rate applicable in foreign jurisdictions	463,795	345,989
Non-taxable gain on disposal of subsidiary	-	506,171
Deemed notional interest received	-	58,824
Expenses not deductible for tax purposes	(895,353)	(523,343)
Tax refund receivable	-	508
Flat Rate Foreign Tax Credit relief	3,771	107,745
Consolidation adjustments	(79,726)	(128,655)
Accrued income	445,896	-
Income tax expense for the year	<u>(448,239)</u>	<u>(642,867)</u>

Refer to note 17 for details of deferred tax assets and liabilities.

11. Basic earnings per share

The calculation of earnings per share is based on the profit for the year attributable to owners of the parent company over the number of ordinary shares outstanding during the year.

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Notes to the consolidated financial statements

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12. Goodwill

	€
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>

As explained in note 25, in 2018, the Group acquired the entire share capital of Julius Meinl Prime Homes s.r.o. During 2019, the company paid an additional amount of €500,000 in connection with that acquisition. This had resulted in the reversal of negative goodwill of €400,332, which had been recognised in the consolidated statement of total comprehensive income, and the recognition of goodwill amounting to €99,668 in the consolidated statement of financial position.

13. Property and equipment

	2020	2019
	€	€
<i>Office equipment</i>		
Cost		
As at 1 January	70,308	66,824
Advance payment	123,425	-
Additions during the year	-	2,847
Foreign exchange adjustments	(1,721)	637
As at 31 December	<u>192,012</u>	<u>70,308</u>
Depreciation		
As at 1 January	17,874	1,972
Charge for the year	15,528	15,902
As at 31 December	<u>33,402</u>	<u>17,874</u>
Net book value as at 31 December	<u>158,610</u>	<u>52,434</u>

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Notes to the consolidated financial statements

31 December 2020

13. Property and equipment (continued)

	2020	2019
	€	€
<i>Motor vehicles</i>		
Cost		
As at 1 January	73,410	-
Additions during the year	93,837	77,033
Foreign exchange adjustments	(2,138)	(111)
Disposals	(45,780)	(3,512)
As at 31 December	<u>119,329</u>	<u>73,410</u>
Depreciation		
As at 1 January	10,836	-
Charge for the year	19,348	10,836
As at 31 December	<u>30,184</u>	<u>10,836</u>
Net book value as at 31 December	<u>89,145</u>	<u>62,574</u>
Total	<u>247,755</u>	<u>115,008</u>

14. Right-of-use asset

	2020	2019
	€	€
<i>Office premises</i>		
Cost		
As at 1 January	130,513	-
Additions during the year	-	130,803
Foreign exchange adjustments	(3,462)	(290)
As at 31 December	<u>127,051</u>	<u>130,513</u>
Depreciation		
As at 1 January	28,249	-
Charge for the year	27,422	28,249
As at 31 December	<u>55,671</u>	<u>28,249</u>
Net book value as at 31 December	<u>71,380</u>	<u>102,264</u>

Refer to note 20 for further details about the Group's leases.

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15. Investment properties

	2020	2019
	€	€
At 1 January	40,569,390	34,519,342
Acquired during the year	19,746,926	-
Additions	8,127,006	2,390,535
Effect of foreign exchange	(1,289,009)	451,505
Fair value gain	4,127,069	3,208,008
At 31 December	<u>71,281,382</u>	<u>40,569,390</u>

Investment properties of the Group as at 31 December 2020 relates to serviced residential and commercial properties located in Prague, Czech Republic, and in Beograd, Serbia, which was acquired during the year.

The fair value of the Group's investment properties is estimated based on appraisals performed by independent, professionally-qualified property valuers at the end of every financial year. The significant inputs and assumptions are developed in close consultation with management.

The valuation and reports has been prepared in accordance with the RICS Global Standards 2017 Edition, as amended ("the Red Book") by a valuer acting as an External Valuer, as defined within the Red Book. Due to the impact of COVID-19 on the global financial markets and the unknown future impact that COVID-19 might have on the real estate market, the valuation was prepared on the basis of a "material valuation uncertainty" as per VPS 3 and VPGS 10 of the RICSW Red Book Global. This means that less certainty, and a higher degree of caution, should be placed on the valuation than would normally be the case. However, the inclusion of the "material valuation uncertainty" declaration does not mean that the value cannot be relied upon.

The valuer considered the following operating structure for the investment properties:

1. the aparthotel element and parking will be operated by the owner under its own brand Julius Meinl House; and
2. the restaurant and retail unit will be operated under a lease agreement by reputable third-party operators active in the region.

The valuation estimates the fair values of the completed aparthotel buildings less estimated construction and other cost of completion that would be incurred by a market participant. With regard to the property in Beograd, Serbia, the fair value was prepared on basis of nominal discount rate of 9.25% and on basis of sales yield of 7.25% while with regard to that in Prague, Czech Republic, this was prepared on basis of nominal discount rate of 8.5% (2019: 9%) and on basis of sales yield of 6.5% (2019: 6.5 %).

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Notes to the consolidated financial statements

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15. Investment properties (continued)

The fair value measurement for the Group's investment properties has been categorised as level 2 fair value based on the inputs to the valuation technique used.

Since the properties are currently under development, there has been no rental income and no direct expenses.

The following shows the valuation technique used in measuring the fair value of the investment properties, 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.	<i>PPH Nove Mesto s.r.o. property (Prague, Czech Republic)</i> Average annual gross rental income of approx. €4.4 million in year 1 of cash flow increasing to €8.5 million from year 5 Occupancy rate in the range of 70% to 80% Discount rate applied: 8.5% (2019: 9%) The exit yield considered to be 6.5% (2019: 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)

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15. Investment properties (continued)

<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between key unobservable inputs and fair value measurement</u>
<p><i>Discounted cash flows:</i></p> <p>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.</p>	<p><i>Julius Meinl Living doo Beograd property (Beograd Serbia)</i></p> <p>Average annual gross rental income of approx. €2 million in year 1 of cash flow increasing to €3,6 million from year 4</p> <p>Occupancy rate in the range of 70% to 80%</p> <p>Discount rate applied: 9.25%</p> <p>The exit yield considered to be 7.25%</p>	<p>The estimated fair value would increase/(decrease) if:</p> <p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> - 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

	2020	2019
	€	€
At amortised cost:		
<i>Non-current</i>		
Loans due from related parties	-	50,000
Other receivables	75,390	89,234
	<u>75,390</u>	<u>139,234</u>

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Notes to the consolidated financial statements

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16. Loans and receivables (continued)

	2020	2019
	€	€
At amortised cost:		
<i>Current</i>		
Loans due from related parties	390,187	365,145
VAT recoverable	3,968,599	-
Trade and other receivables	264,001	421,025
	<u>4,622,787</u>	<u>786,170</u>

During 2019, Julius Meinl Prime Homes s.r.o., a subsidiary of the Group, and PPH Pechackova s.r.o entered into a facility agreement whereby the subsidiary company provided to the latter, a loan facility up to €500,000 which bears interest at 6% per annum and is repayable by 31 December 2024. The drawdown amount of €50,000 was reported as loans due from related parties which was included as part of non-current loans and receivables in 2019. This loan was fully repaid in 2020.

On 3 July 2017, the Company and Stoneham Investments Limited (Stoneham) 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 2021, as per amended agreement between the parties signed on 9 November 2020. Principal and accrued interest amounted to €202,008 (2019: €189,366). 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 of €188,179 (2019- €175,779) is unsecured, bears interest at 8% per annum and was repayable together with interest accruing thereon on 31 December 2020.

VAT recoverable of €3,961,108 relates to the purchase of investment property in Beograd, Serbia, made during the year (see note 15).

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Notes to the consolidated financial statements

31 December 2020

17. Deferred taxation

	At 1 January €	Movement for the year €	Exchange variance €	At 31 December €
2020				
Deferred tax assets	179,693	-	(5,717)	173,9756
Deferred tax liabilities	3,003,905	423,340	(95,240)	3.332,005
2019				
Deferred tax assets	133,183	44,408	2,102	179,693
Deferred tax liabilities	2,506,894	461,295	35,716	3,003,905

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 2020 and 2019. The deferred tax assets arise on tax losses incurred by the Group and are considered to be realisable once taxable income will start to be generated. The tax losses can be carried forward for 5 years before expiring.

18. Cash and cash equivalents

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

	2020 €	2019 €
Cash at bank	16,518,235	20,201,098

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.

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Notes to the consolidated financial statements

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19. Trade and other payables

	2020	2019
	€	€
Trade and other payables	2,249,088	1,385,470
Accruals	620,461	557,322
Amounts due to related parties	-	662
	<u>2,869,549</u>	<u>1,943,454</u>

20. Leases

The lease liability is presented in the consolidated statement of financial position as follows:

	2020	2019
	€	€
Current	29,641	4,963
Non-current	47,325	79,496
	<u>76,966</u>	<u>84,459</u>

The Group has a lease for office premises from IVG Clear Solution Investment s.r.o., which is reflected as a right-of-use asset and a lease liability in the consolidated statement of financial position.

The 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 Group. The lease is either non-cancellable or may only be cancelled by incurring a substantive termination fee. Upon termination, the right-of-use asset 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 asset. The Group shall ensure that this asset is 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 in the consolidated financial position:

<i>Right-of-use asset</i>	Office premises
<i>No. of right-of-use assets leased</i>	1
<i>Range of remaining term</i>	2.5
<i>Average remaining lease term</i>	2.5
<i>No. of leases with variable payments linked to an index</i>	1

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Notes to the consolidated financial statements

31 December 2020

20. Leases (continued)

The lease liability is secured by the related underlying asset. Future minimum lease payments at each reporting date were as follows:

Minimum lease payments

As at 31 December 2020

	Not later than 1 year €	Later than one year but not later than five years €	Total €
Lease payments	33,874	50,811	84,685
Finance charges	(4,233)	(3,486)	(7,719)
	<hr/>	<hr/>	<hr/>
Net present values	29,641	47,325	76,966
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2019

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

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 as incurred and included as part of general administrative expenses in the consolidated statement of total comprehensive income.

Additional information on the right-of-use asset is disclosed in note 14.

Julius Meinl Living plc

Notes to the consolidated financial statements

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21. Debt securities in issue

The carrying amounts of debt securities in issue are as follows:

	2020	2019
	€	€
<i>Non-current</i>		
Bonds denominated in euro	28,793,114	23,237,939
Bonds denominated in CZK	-	1,290,830
	<u>28,793,114</u>	<u>24,528,769</u>
<i>Current</i>		
Bonds denominated in euro	-	300,000
Bonds denominated in CZK	1,249,762	-
	<u>1,249,762</u>	<u>300,000</u>

The subsidiaries of the Group have bonds issued as follows:

PPH Nove Mesto s.r.o	
- placement:	CZK32,800,000 (2019: CZK32,800,000)
- date of issue:	15 June 2018
- coupon rate:	5.5% per annum
- maturity:	16 June 2021
JML Finance (Luxembourg) S.a.r.l.	
- placement:	€29,900,000 (2019: €24,112,000)
- date of issue:	26 September 2019
- coupon rate:	7% per annum
- maturity:	26 September 2024

The bonds for €300,000 issued by PPH Nove Mesto s.r.o. on 1 June 2017 with a coupon rate of 5.5% per annum, matured at year-end and bonds of €4,000,000 issued by PPH Nove Mesto on 6 September 2018 with a coupon rate of 5.5% per annum with original maturity on 6 September 2021 were repaid during 2020.

22. Bank borrowings

	2020	2019
	€	€
<i>Non-current</i>		
Bank loans	<u>2,817,171</u>	<u>-</u>

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Notes to the consolidated financial statements

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22. Bank borrowings

During the year, PPH Nove Mesto s.r.o., a subsidiary of the Group, entered into a loan agreement with J&T Banka, a.s., with registered address at Pobřežní 14, 186 00 Prague Czech Republic. The loan is for reconstruction of the investment property into an aparthotel in Prague and the credit line is for €27,000,000.

The loan should be repaid in amount of €18,000,000 in quarterly instalments on each interest payment date starting 30 September 2022 based on a hypothetical 15 years annuity-like repayment schedule calculated by the lender whereas each instalment shall be calculated using the interest rate of 4.5 % per annum. The loan in amount of €9,000,000 and any other outstanding amount should be repaid on the termination date which is 29 September 2028.

The loan is secured by a mortgage, granted by PPH Nove Mesto s.r.o. over the investment property in Prague, Czech Republic (see note 15) including negative pledge, pledge and subordination of shareholder loan to borrower, pledge of insurance receivables from asset's insurance, pledge of all Julius Meinl Living Holdings Limited shares (PPH Nove Mesto s.r.o.'s immediate parent company), including negative pledge, pledge of all borrower's bank accounts, borrower's promissory note, notarial deed with direct enforceability and cost over-run guarantee of the sponsor.

23. Other financial liabilities

	2020	2019
	€	€
Retention payable	823,887	131,098
Purchase price of investment property	23,655,057	-
	<u>24,478,944</u>	<u>1,943,454</u>

Retention payable represents amounts withheld on payments made to the general contractor of the investment property in Prague, Czech Republic. Retention amounts are to be repaid after the completion of the project and upon fulfilment of specific conditions as agreed with the general contractor.

Purchase price of investment property represents the amount payable to the seller of the investment property in Beograd, Serbia based on the forward purchase agreement entered by the Group.

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Notes to the consolidated financial statements

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23. Share capital

	Authorised €	Issued and called up €
Ordinary A shares of €1 each	1,000,000	11,651
Ordinary A 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 re-designated 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.

24. Share premium

Share premium represents the share premium of €9 per share paid upon the issue of 1,000,000 ordinary B shares, having a nominal value of €1 each.

Julius Meinl Living plc

Notes to the consolidated financial statements

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25. 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	
				2020	2019
<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%	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	100%	88.33%
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%	100%

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

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. The Group acquired a further 13.33% of the share capital of PPH Nove Mesto s.r.o., bringing its total holding to 88.33% in 2019. During the year, the remaining 11.67% was acquired by the Group, bringing its total holding therein to 100%.

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2020

25. Subsidiaries (continued)

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 Beograd, an asset company incorporated in Serbia.

26. Related party disclosures

The parent of Julius Meinl Living plc is Julius Meinl Finance Limited which is incorporated in the Cayman Islands. The directors consider the ultimate beneficiary to be Mr Julius Meinl.

The Group's related parties also include its key management personnel.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

Loans and amounts due from and to related parties are disclosed in notes 16 and 19, while key management personnel compensation is disclosed in note 9.

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2020

27. Non-cash 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:

	2020	2019
	€	€
Non-cash adjustments:		
Fair value gain on investment properties	(4,127,069)	(3,208,008)
Gain from bargain purchases	(1,398,638)	(1,485,156)
Release of negative goodwill on acquisition of additional shares of subsidiary	-	400,332
Depreciation	62,299	54,987
Net foreign exchange difference	632,352	(208,213)
Finance income	(55,273)	(42,517)
Finance costs	2,266,502	633,153
	<u>(2,619,827)</u>	<u>(3,855,422)</u>
	2020	2019
	€	€
Changes in working capital:		
Loans and receivables	(3,726,523)	(85,916)
Trade and other payables	(404,015)	705,717
	<u>(4,130,538)</u>	<u>619,801</u>

28. Capital commitments

The Group 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 finalize 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 CZK499,000,000.

During the year, a contract was signed with the supplier for the subsequent provision of furniture, fixtures and equipment for the building in Prague for a total amount of CZK135,980,000.

In 2019, a forward purchase agreement was signed for the acquisition of a project in Beograd, Serbia which is in the initial planning phases and due to start construction in approximately Autumn 2020. The final purchase agreement was concluded in 2020 and the liability from this agreement is reported as part of other financial liabilities as disclosed in note 23.

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2020

29. Fair values of non-financial assets

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

The fair value hierarchy has the following levels:

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

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

The following table shows the levels within the hierarchy of non-financial assets of the Group measured at fair value at 31 December 2020 and 2019:

	Level 1 €	Level 2 €	Level 3 €	Total €
31 December 2020				
Investment properties	-	71,281,382	-	71,281,382
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
31 December 2019				
Investment properties	-	40,569,390	-	40,569,390
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

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Notes to the consolidated financial statements

31 December 2020

30. Financial instrument risk management objectives and policies

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

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

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

Credit risk

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

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

	<i>Notes</i>	2020 €	2019 €
Classes of financial assets – carrying amounts			
Non-current asset			
Financial asset at amortised costs:			
- Loans and receivables	16	75,390	139,234
Current assets			
Financial assets at amortised costs:			
- Loans and receivables	16	654,188	786,170
- Cash and cash equivalents	18	16,518,235	20,201,098
		<u>17,247,813</u>	<u>21,126,502</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 ECL as any such impairment would be wholly insignificant to the Group.

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2020

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

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover debts. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

Foreign currency risk

The group operates internationally and is exposed to foreign exchange risk; primarily the Czech koruna (CZK). Historically, the CZK has been 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 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 year:

Exposure	Short-term	Long-term	Total
Currency	CZK	CZK	CZK
31 December 2020			
Cash & cash equivalents	512,673	-	512,673
Other financial assets	182,990	75,390	258,380
Financial liabilities	(3,419,131)	(871,212)	(4,290,343)
Net Exposure	<u>(2,723,468)</u>	<u>(795,822)</u>	<u>(3,519,290)</u>
31 December 2019			
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>

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2020

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

Foreign currency risk (continued)

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 2020 was approximately 3.64%, and 6.26% respectively. By comparison USD/EUR currency pair volatility over the same periods was 5.33% and 8.03% 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 24.83 / 27.85 for the respective years 2019 and 2020 representing a difference between the highest and lowest exchange rates of approximately 4.7% and 12.2% during the respective years 2019 and 2020. Management observed increased CZK/EUR volatility during the FY2020 that is largely explained by the general global uncertainty resulting from the COVID-19 pandemic. Management continues to monitor the CZK/EUR pair closely.

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 +/- 8% change of the CZK/EUR exchange rate for the year ended at 31 December 2020 (2019: 6%). 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 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 8% (2019: 6%), then this would have had the following impact:

CZK strengthens vs. EUR	Profit for the year	Equity
	CZK	CZK
31 December 2020	211,157	-
31 December 2019	114,561	-

Julius Meinl Living plc

Notes to the consolidated financial statements

31 December 2020

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

Foreign currency risk (continued)

If the CZK had weakened against the EUR by 8% (2019: 6%) then this would have had the following impact:

CZK weakens vs. EUR	Profit for the year	Equity
	CZK	CZK
31 December 2020	(247,881)	-
31 December 2019	(101,592)	-

The higher foreign currency exchange rate sensitivity in profit in 2020 compared with 2019 is attributable to a wider band variance and a net increase in foreign currency denominated debt. Equity is not affected because the Group does not employ hedging instruments or derivatives.

Further, the Group does not see any foreign exchange exposure risk in Serbian dinar (RSD) in connection with assets and liabilities in its Serbia operation due to the stability of RSD/EUR exchange rate for the past three years.

Interest rate risk

The Group has fixed rate debt securities and bank borrowings to finance its operations as disclosed in notes 21 and 22. 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 availability of raising funds to meet commitments associated with financial instruments.

Julius Meinl Living plc

Notes to the consolidated financial statements

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

Liquidity risk (continued)

The maturity analysis of the Group's financial liabilities as at 31 December 2020 and 2019 are given below. These amounts are gross, undiscounted and include estimated interest payments:

	3 months - 1 year €	1 - 5 years €	Total €
31 December 2020			
Debt securities in issue	1,249,762	28,793,114	30,042,876
Bank borrowings	-	2,817,171	2,817,171
Trade and other payables	2,869,549	-	2,869,549
Lease liabilities	29,641	47,325	76,966
Other financial liabilities	-	24,478,944	24,478,944
	<u>4,148,952</u>	<u>56,136,554</u>	<u>60,285,506</u>
31 December 2019			
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>32,891,086</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 4.8 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 2020

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

Summary of financial instruments by category (continued)

	Notes	2020 €	2019 €
Non-current asset			
At amortised cost:			
- Loans and receivables	16	75,390	139,234
Current assets			
At amortised cost:			
- Loans and receivables	16	654,188	786,170
- Cash and cash equivalents	18	16,518,235	20,201,098
		<u>17,247,813</u>	<u>21,126,502</u>
Non-current liabilities			
At amortised cost:			
- Debt securities in issue	21	28,793,114	24,528,769
- Lease liabilities	20	47,325	79,496
- Other financial liabilities		24,478,944	131,098
- Bank borrowings	22	2,817,171	-
		<u>56,134,554</u>	<u>24,739,363</u>
Current liabilities			
At amortised cost:			
- Debt securities in issue	21	1,249,762	300,000
- Trade and other payables	19	2,869,549	651,749
- Lease liabilities	20	29,641	4,963
		<u>4,148,952</u>	<u>956,712</u>
		<u>60,285,506</u>	<u>25,696,075</u>

31. 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

31 December 2020

31. 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.

32. Events after the end of the reporting period

No adjusting or other significant non-adjusting events have occurred between the end of the reporting period and the date of authorisation by the Board.

Julius Meinl Living plc

Independent auditor's report

31 December 2020

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 7 to 49 which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and 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.

Emphasis of matter

We draw attention to note 15 of the consolidated financial statements which explains that the uncertainty created by the COVID-19 pandemic and the unknown future impact that COVID-19 might have on the real estate market led to the valuation of the group's investment property to be based on a material valuation uncertainty. Consequently the valuation should be considered with a higher degree of caution than would normally be the case. Our opinion is not qualified in respect of this matter.

Julius Meinl Living plc

Independent auditor's report

31 December 2020

Other information

The directors are responsible for the other information. The other information comprises the directors' report shown on pages 2 to 5 which we obtained prior to the date of this auditor's report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

- The information given in the directors' report for the financial year for which the consolidated financial statements are prepared is consistent with the 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 IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Act, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

Julius Meinl Living plc

Independent auditor's report

31 December 2020

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 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.

Julius Meinl Living plc

Independent auditor's report

31 December 2020

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

We also have responsibilities under the Companies Act, Cap 386 to report to you if, in our opinion:

- adequate accounting records have not been kept;
- the consolidated financial statements are not in agreement with the accounting records; or
- 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

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26 February 2021