GRAMEXO PLC

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

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REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2017

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BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Ivana Tollarovicova Nicolas Italos
Group Secretary:	PA.TY. Secretarial Limited
Independent Auditors:	KPMG Limited Certified Public Accountants and Registered Auditors Esperidon 14, 1087 Nicosia, Cyprus
Financial Advisors:	J&T Banka, a.s. Prague 8, Postal Code 186 00 Czech Republic
Registered office:	Klimentos, 41-43 KLIMENTOS TOWER 1st floor, Flat/Office 12 1061 Nicosia, Cyprus
Bankers:	J&T Banka, a.s. Prague 8, Postal Code 186 00 Czech Republic

COMPLETION OF MISSING INFORMATION

Based on the letter of Notification of shortcomings from Czech National Bank, dated on October 24, 2018 and in accordance with the Act No. 256/2004 Coll., Company GRAMEXO PLC presents the corrected Yearly Report as of 31 December 2017.

The list of revisions are as follows:

1. On pages 3 – 10, MANAGEMENT REPORT, the text was divided into sections 1 – 8.
2. On page 3, MANAGEMENT REPORT, section 1 INTRODUCTIONS, sub-section Principal activities and nature of operations of the Group.
3. On page 3, MANAGEMENT REPORT, section 1 INTRODUCTIONS, the sub-sections Change of holding Company name and Changes in group structure were added.
4. On pages 4 – 5, MANAGEMENT REPORT, section 2 REVIEW OF CURRENT POSITION, FUTURE DEVELOPMENTS AND PERFORMANCE OF THE GROUP'S BUSINESS, paragraphs 4 – 8, 12 and 13 were added.
5. On pages 5 – 6, MANAGEMENT REPORT, section 3 PRINCIPAL RISKS AND UNCERTAINTIES, paragraphs 2 – 18 were added.
6. On page 7, MANAGEMENT REPORT, section 4 FINANCIAL INFORMATION, the sub-section Going concern basis was added.
7. On page 7, MANAGEMENT REPORT, section 5 SHARE CAPITAL AND SHARES RELATED PROVISIONS, the sub-sections Share capital and variation rights and Description of rights related to Certificates were added.
8. On page 8, MANAGEMENT REPORT, section 7 BOARD OF DIRECTORS, the paragraphs 4, 6 - 9 were added.
9. On page 9, MANAGEMENT REPORT, section 8 OTHER INFORMATION, the sub-section staff costs was added.
10. On page 9, MANAGEMENT REPORT, section 8 OTHER INFORMATION, the sub-section Internal controls was added.
11. On page 9, MANAGEMENT REPORT, section 8 OTHER INFORMATION, the sub-section Corporate governance code was added.
12. On page 9, MANAGEMENT REPORT, section 8 OTHER INFORMATION, the sub-section Independent Auditors, paragraph 3 was added.
13. On page 10, MANAGEMENT REPORT, section 8 OTHER INFORMATION, the sub-section Events after after the reporting period, paragraphs 1 – 7 were added.
14. The individual financial statements of the Company for the year ended 31 December 2017 are attached.

MANAGEMENT REPORT

The Board of Directors presents its consolidated report and audited consolidated financial statements of the Company and its subsidiaries (together with the Company, the "Group") for the year ended 31 December 2017.

1. INTRODUCTIONS

Incorporation and Operation of the Company

The holding Company Gramexo PLC was incorporated in Cyprus on 14 May 2007 as a limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. The incorporation and operation of the Company was/is regulated under the provisions of the Cyprus Companies Law, Cap. 113.

Principal activities and nature of operations of the Group

The principal activities of the Group are the provision of finance, the holding of investments and the development of real estate properties for sale and commercial rent.

GRAMEXO PLC is a holding company with principal activities that include the provision of finance, the holding of investments, development in real estate area, rent of real estate properties, residential and non-residential premises. The subsidiaries are (i) Rustonka Development, s.r.o. that is a company (special purpose vehicle) incorporated with the aim to develop real estate projects acquired on its land in the capital city of Prague, city district Prague 8 – Karlín (complex of three office buildings with common entrance with available office space up to 12 thousand sqm for each) and (ii) Rustonka Development II, s.r.o. which will realize development of separate office building with eight above-ground floors and underground parking areas, with available office premises of approximately 13,000 sqm).

The principal activities of the Company are investments and financing. The principle activities of business are regulated in Article 3 of the Memorandum of Association and Articles of Association of the company dated from May 23, 2016.

The objects for which GRAMEXO PLC has been established are mainly: to carry on the business of an investment holding company and for that purpose to acquire and to hold as an investment, immovable property, shares and securities issued, to exercise and enforce all rights and powers conferred by or incidental to the ownership of any such immovable property and any such shares or securities. The other objects for which the Company was established concern financing, mainly to take and borrow money for the issue of shares, securities, bonds, to invest the money that it takes or borrows for the benefit of the company itself or the group of the related companies. All the objects for which the Company was established are placed in page 3 under the Article 3. of the Memorandum of Association and Articles of Association of the company GRAMEXO PLC dated from May 23, 2016.

The Board of Directors does not expect major changes in the principal activities of the Group in the foreseeable future.

Change of holding Company name

On 23 May 2016, the holding Company changed its name from Gramexo Limited to Gramexo PLC. Also the status of the holding Company changed from private limited liability Company to public limited liability Company.

Changes in group structure

During the year ended 31 December 2017, the Company and the Group became a part of J&T REAL ESTATE HOLDING LIMITED ("JTRE Holding") which is a group of various Slovak, Czech and Cypriot companies, operating on the Slovak and Czech real estate market. JTRE Holding is a Cyprus-based holding company, owned by 6 non resident individuals.

The shareholders of GRAMEXO PLC at the end of year 2017 are as follow:

- PA.TY. NOMINEES LIMITED (15145 no. of shares, what represents of 99,61%),
- D.H. NOMINEES LTD (10 no. of shares, what represents 0,065%),
- BERG NOMINEES LIMITED (10 no of. shares, what represents 0,065%),
- GLOBAL BRIDGE TRUSTEES LIMITED (10 no of. shares, what represents 0,065%),
- PA.TY. SECRETARIAL LIMITED (10 no of. shares, what represents 0,065%),
- EVRIDIKI HAVVA (10 no of. shares, what represents 0,065%),
- ELEFTHERIA KYRIAKOU (10 no of. shares, what represents 0,065%)

2. REVIEW OF CURRENT POSITION, FUTURE DEVELOPMENTS AND PERFORMANCE OF THE GROUP'S BUSINESS

In assessing the Group's status as a going concern, Management considered the current intentions and financial position of the Group. The Group had net assets of CZK238.972.327 at 31 December 2017 (2016: CZK93.698.351 net liabilities), a net profit of CZK332.670.678 for the year then ended (2016: loss CZK42.948.737) and future financing needs to complete its projects. Management has performed an assessment which verifies the Group's ability to continue as a going concern.

The Group is not aware of adverse trends, demands, obligations or events that might have a significant effect on the prospects of the Group in the current financial year.

The Group concentrates its activities, in particular, on the Czech real estate market. Due to the acquisition of Rustonka Development s.r.o., ("Rustonka") and incorporation of Rustonka Development II s.r.o., ("Rustonka II") in year 2016, the Group operates mainly on the Prague administration and multifunctional buildings market, specifically in the area of Prague 8-Karlin.

The company Rustonka Development s.r.o. realizes development of a complex of three administrative buildings. The building permit was issued on 18 November 2014 and it became valid on 6 December 2014. In January 2016, the construction of the first building, Building A, started and the occupancy permit was issued on 9 May 2017. The building offers 12.512 sqm of office leasable premises, 1.663 sqm of retail premises, 1.049 sqm of storages and 161 parking spaces in the underground parking garage. To the end of the year 2017 lease agreements to 100% of the office premises and 84% of the retail premises were concluded. The building A at the end of 2018 was fully occupied.

In October 2016, the construction of the second building, Building B, started and issue of occupancy permit is expected in April 2018. The building will offer 12.878 sqm of office leasable premises, 1.643 sqm of retail premises, 979 sqm of storages and 161 parking spaces in the underground parking garage. The construction works run without any difficulties thanks to a suitable choice of a general contractor that is renowned association of construction companies Geosan - BAK. The project is based on the architectural design of the CMC Architects studio, which has great references and realized many projects. To the end of the year 2017 Head of Terms with potential tenants to 33% of office premises and 24% of retail premises were concluded.

The construction of the third building, building C, started in August 2017. Completion date is expected in the 1st quarter of 2018. This building will offer 12.890 sqm of office leasable premises, 1.679 sqm of retail premises, 1.149 sqm of storages and 161 parking spaces.

In November 2016 the new subsidiary Rustonka Development II s.r.o. was founded, that will realize the construction of administrative building Rustonka II. The valid zone permit for that project was issued in May 2015 and the building will offer 16.910 sqm of leasable premises and 230 parking spaces in the underground parking garage. Company Rustonka Development II s.r.o. obtained building permit for the project in March 2017 and the construction works will start in the first quarter of 2018. Completion of the building including fit-outs is expected in the 2nd half of 2020. The building is planned to be leased to a single tenant.

Over the past few years, the city district Karlín has been developing dynamically. In the future, the development of the Rohan Island, where a new neighborhood will appear, is going to be built on the existing new office and apartment development along Rohanské nábřeží. It is already directly neighbours to the Rustonka project. The assumption is that the office complex will be naturally built on the ongoing development from the center towards the other metro stations B. The direct neighborhood of the Rustonka office complex with Invalidovna metro station and tram station is a good starting point for future office occupancy. Due to the attractiveness of the site, our intention is to rent and operate leased office buildings.

Furthermore, in 2016 the Company launched unsecured and unsubordinated zero-coupon certificates in registered form, in total aggregate principal amount of CZK1.395.000.000 (in words: one billion three hundred ninety-five million Czech crowns), in the quantity of 46.500 certificates, with the nominal value of each certificate amounting to CZK30.000 (in words: thirty thousand Czech crowns), at the initial issue price in the amount of CZK23.228 (77,426%). The issue date was on September 13 2016, and the issue period ended on 12 September 2017. All the certificates have a maturity date of 13 September 2021. During the year ended 31 December 2017, 11.000 certificates were issued with a nominal value of CZK30.000 each and as at that date, in total 39.300 certificates were issued with a total aggregate principal amount of CZK1.179.000.000.

The net proceeds from the bond issue were lent to the holding Company's subsidiary Rustonka Development s.r.o. to cover its business activities.

The total costs connected with the issuance of the certificates amounted to CZK16.5 million and the net proceeds amounted to CZK905 million.

During the year 2017 no significant contracts have been concluded that could have resulted in the Holding Company's material debt or claim to its ability to fulfill its obligations in relation with the Certificates Owners.

The Holding Company declares that no judicial, or arbitration proceedings have taken place during the year 2017 which may or might have a significant impact on the financial position or profitability of the Holding Company and its subsidiaries.

3. PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Group are disclosed in notes 3, 4 and 21 of the consolidated financial statements.

Despite there being several risks to which the Group is exposed, no risks have effected the activities of the Issuer during the year 2017.

Use of financial instruments by the Group

The Group is exposed to a variety of risks, the most important of which are described and analysed in note 3 of the financial statements.

Significant risks are as follows:

Market price risk

Market risk is a risk related to changes of market prices such as exchange rates, interest rates and prices (values) that will affect income or value of financial instruments or assets of the Group. The Group is exposed to the risk of change in the value of real estate properties including the risk of rent or sale. The Group is also exposed to the price risk during the construction and realization of projects, when the prices of construction supplies can change what will effect the investment costs of the projects and the projects profitability. Market risk in terms of rental prices: prices of high-quality office premises with LEED Gold certificate, which the subsidiaries would also like to obtain for the projects, are growing on the Prague market. In combination with the attractive location of the projects at the metro station B Invalidovna, the Group does not see the risk of a sudden decrease in rental prices, which would influence the profitability of the projects in the future, even after consultation with real estate brokers.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings and loans receivable issued at variable rates expose the Group to cash flow interest rate risk. Borrowings and loans receivable issued at fixed rates expose the Group to fair value interest rate risk. The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimising such losses.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's measurement currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro. The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly. No sensitivity analysis is disclosed as management assessed the effect of any foreign currency fluctuation is not significant. The currency risk also represents risk that fair value or future cash flow will fluctuate due to changes of foreign exchange rates, for example in the case of the rental income that determine the market value of the property will be denominated in EUR while repayments of the loan granted to subsidiaries by the Issuer will be in Czech crowns.

Credit risk
A credit risk poses a risk that the Issuer fails to redeem the Certificates because Rustonka will not repay the Issuer the financing provided by the Issuer.

Risk of information leakage
The Group is exposed to the risk that the Group's operation will be compromised in the event of leakage of sensitive information.

Risk of loss of key persons - lessees
The Group is exposed to the risk that a potential loss of the key persons - lessees - will adversely affect the lessees' business and their ability to pay the Group the agreed rent or, as the case may be, it will result in early termination of the lease relationship with the Group.

Risk of termination of material contractual relationships
The Group is exposed to the risk that the contractual relationships with external service suppliers with whom the Group cooperates in the preparation, development and implementation of projects, will be terminated early.

Risk associated with development construction
The Group is exposed to the risk that due to a wrong estimate of evolution of the demand in the real estate segment or due to overvaluation of the selling price of the designed properties, its development projects will be less successful than originally envisaged. Further, it may also be exposed to the risk of defective acquisition of lands, the risk concerning the obtaining of the necessary construction permits and the risks associated with the construction of the projects itself.

Risk of financing the construction
Given the fact that the costs associated with development activities will require the Group to also obtain financing of the construction itself, the Group is exposed to the risk that the Group may not be able to obtain appropriate financing or, as the case may be, that in the event of default arising from that bank financing, the Group will have to sell its properties in order to repay them or, as the case may be, the Issuer will no longer be the owner of the Shareholding.

Risk associated with the location of development projects
The Group may be exposed to the risk that it failed to correctly estimate the suitability of the location given the investment project, and it may thus be difficult for it to successfully lease out or sell the completed property at a profit.

Risk associated with incomplete projects
Due to internal and external factors, the Group may be exposed to the risk that the projects addressed to by the Group will not be completed according to the planned schedule or the planned profitability rate.

Risk of competition
Due to strong competition in the real estate market, the Group may be at risk of not being able to respond adequately to competitive environment.

Risk of changing tenant preferences
The Group will be exposed to the risk that any future changes in tenant preferences may result in the Group losing its tenants.

Risk of accepting additional debt financing
Any increase in the debt of Group´s subsidiaries may carry a risk to the Group that subsidiaries will not be able to repay its debts to the Issuer. Also, raising the Issuer's indebtedness may result that the Issuer will be unable to fulfill the liabilities due to Certificates of Debt.

Risk of refinancing
The Group may be at risk of not being able to refinance its Certificates obligations through additional funding or refinance under the same or better conditions than existing ones, or refinance by selling properties.

4. FINANCIAL INFORMATION

Going concern basis
The Group realized a profit of CZK 332.670.678 (2016 loss of CZK42.948.737) and as at that date the Group's current liabilities exceeded its current assets by CZK142.756.316 (2016: CZK100.644.526). The Group's Financial Statements have been prepared on a going concern basis as management is of the opinion that the Group will be able to repay its obligations as they fall due, for the following reasons:

a) Its current liabilities as well as its future capital expenditure requirements to complete the projects will be financed out of new long-term credit facilities with banks which were provided during the year 2018 (note 24);
b) The Group is expected to generate proceeds from future rental income;
c) The bonds issued are expected to be settled out of the proceeds from future rental income, sale of investment property or from refinancing arrangements, or a combination of the three

Results
The Group's results for the year are set out on page 17.

Dividends
The Board of Directors does not recommend the payment of a dividend and the net profit for the year is retained.

5. SHARE CAPITAL AND SHARES RELATED PROVISIONS

Share capital
There were no changes in the share capital of the Company during the year under review.

Treasury shares
The Group did not make any acquisitions of its own shares either itself directly or through a person acting in his own name or on the Group's behalf.

Share capital and variation rights
If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of shares of that class) may, subject to the provisions of Article 70 of the Law, whether or not the Company is being wound up, be amended or abolished with the written consent of the holders of three-fourths of the issued shares of that class, or with the sanction of an extraordinary resolution approved at a separate general meeting of the holders of the shares of that class. The provisions of these Articles relating to general meetings shall apply to such separate general meetings, mutatis mutandis, but so that the necessary quorum shall be two persons at least holding or representing by proxy one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll and, if at any previously adjourned general meeting of these holders there is not a quorum, the shareholders or shareholders present shall be deemed to form a quorum.

Rights and obligations of the shareholders
The immediate parent entity of the Company is J&T Real Estate Holding Limited. There is no single ultimate controlling party since the ordinary shares in J&T Real Estate Holding Limited are held by 6 individuals with none of them having control. J&T Real Estate Holding Limited had also issued preference shares without voting rights which are held by a company.

Description of rights related to Certificates
The Certificates particularly give the right to payment of nominal value as at the Final Maturity Date of the Certificates and the right to payment of the Discounted Value as at the Early Maturity Date of the Certificates or part of the Discounted Value as at the Partial Early Maturity Date of the Certificates, and the early maturity of the Certificates may occur, in accordance with the Terms of Issue, (i) as a result of a decision of the Company (who can do so every 6 (six) months of the Date of Issue, but at the earliest after 30 (thirty) months of the Date of Issue, always at least 30 (thirty) days, but at the earliest 90 (ninety) days prior to that day), (ii) as a result of a decision of the Meeting (in the event of default in payment, infringement of the Company's specific obligations, failure to satisfy other Company's debts (a so-called Cross-Default), Company's transformation or insolvency, liquidation, etc. of the Company), (iii) as a result of a decision of a particular Certificate Owner, provided the Certificate Owner does not agree with the Meeting's decision on the matter under (ii), and/or (iv) as a result of the Sale of Assets, save for

a) Sale of Assets within the Group, or between a Group member and the one who is controlled by the same person as the Company; or b) in the event that the amount of payment obtained by the Company from the Sale of Assets or directly related Sales of Assets net of all the efficiently incurred costs and reimbursement of all the related tax liabilities is lower than CZK 100,000,000 (and it may only be partial early maturity). Further, the Certificates give the right to request in the Events of Default for convening a Meeting, which shall decide on the early redemption of the Certificates. Also, the Certificates give the right to participate in and vote at meetings of the Certificate Owners, provided such meeting is convened in accordance with the Terms of Issue.

6. DECISION MAKING PROCEDURES

The Company shall, every year, hold a general meeting as its annual general meeting in addition to any other meetings in that year, and shall specify the meeting as such in the notices calling it, and not more than fifteen months shall elapse between the date of one annual general meeting of the Company and that of the next. The annual general meeting shall be held at such time and place, as the Directors shall appoint. All general meetings other than the annual general meetings shall be called extraordinary general meetings. Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands, every Member present in person or by proxy shall have one vote, and on a poll, every Member shall have one vote for each share of which he is the holder. On a poll, votes may be given either personally or by proxy. Basic area of General Meeting is the re-appointment of directors of the Company, re-appointment of auditors of the Company, fixing remuneration of the auditors, remuneration of the Directors and approval of Financial Statements, agreements and transactions completed through the year under the provisions of the Cyprus Companies Law, Cap. 113.

7. BOARD OF DIRECTORS

The members of the Company's Board of Directors as at 31 December 2017 and at the date of this report are presented on page 1.

In accordance with the Company's Articles of Association all Directors presently members of the Board continue in office.

The statutory body of Gramexo PLC (the issuer) is the Board of Directors, which has two members - the directors acting on its behalf independently. The Directors are elected and dismissed by the General Meeting. In the performance of their duties, directors are governed among others instructions given by the General Meeting if they are in accordance with legal regulations and statutes. The Board of Directors may have two or more members under the Articles of Association, and the number of members of the Board of Directors is not at all limited. At present the board has two members. The members of the Board of Directors as at 31 December 2017 and at the date of the signing of these accounts, are Mrs. Ivana Tollarovicova and Mr. Nicolas Italos.

The remuneration principles of the company’s statutory body are as follows: Both directors have fixed yearly remuneration in the same amount. The amount is approved each year on the Annual General Meeting of the company.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

The remuneration of Directors was as follows:

	2017	2016
	CZK	CZK
Directors' fees	**25.747**	10.820
	25.747	10.820

The Director’s remuneration are to be fixed by the Board of Directors of the Company and for 2017 are in the amount of CZK25.747 (2016: CZK10.820). There were no other Directors' salaries and remuneration. Also the Directors do not have shares or options to acquire shares of the Group.

The working address of the directors is the registered office presented on page 1. The Board of Directors does not perform principal activities that would be material for the Holding Company.

The Holding Company declares that it is not aware of the existence of any conflict of interest between the obligations of the Board of Directors and their personal interests and other obligations.

8. OTHER INFORMATION

Research and development activities
The Group did not carry out any research and development activities during the year.

Existence of branches
The Group does not maintain any branches.

Staff costs
Staff cost for the year ended 31 December 2017 were CZK Nil (2016: CZK Nil) since the Group had no employees.

Internal controls
The Group´s internal control system is primarily based on internal control mechanism, Board of Directors' activities and external audit, which is proceeded once a year. The audit results are presented to the Board of Directors of Gramexo PLC.

The Board of Directors of Gramexo PLC is responsible for:

- reliability and sharing information
- compliance with the general legal standards and internal procedures
- protection of property and proper use of resources
- to achieve the targets.

The Group is currently complying with all corporate governance requirements in accordance with the specific legislation of the Republic of Cyprus and issuer shall operate under the laws of Cyprus, in particular the Cyprus Companies Law.

Corporate governance code

During the year 2016 the Group commenced the issue of listed bearer securities (bonds), which are traded in Prague stock exchange market. There was no established and relevant Corporate Governance Code for the Czech Republic that would reflect recent developments in Corporate Governance. The Company is regulated under the provisions of the Cyprus Companies Law and subsidiaries are regulated under the laws of the Czech Republic especially Commercial Code no. 513/1991 Coll. and Act. no. 256/2004 Coll., on Bonds as amended.

Operating Environment of the Group
Any significant events that relate to the operating environment of the Group are described in note 21 to the consolidated financial statements.

Independent Auditors
During the year the Independent Auditors of the Company, PricewaterhouseCoopers Limited resigned and KPMG Limited was appointed in their place.

The Independent Auditors, KPMG Limited, were appointed by the Board of Directors in replacement of the previous auditors PricewaterhouseCoopers Limited and have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

Auditor's remuneration consists of fees charged by the independent auditor KPMG Limited Certified Public Accountants and Registered Auditors for providing professional services in connection with the audit of the Company's consolidated and stand-alone financial statements.

Events after the reporting period
On 5 February 2018 Rustonka Development II s.r.o. (the "Company") entered into a loan contract with Postova banka a.s. for EUR43.060.000 and CZK3.000.000 repayable by 31 January 2021 and bearing interest of 12M Euribor + 5,191% per annum and 12M Pribor + 3,98% per annum respectively. The loans are secured through a pledge of 100% of the shares in Rustonka Development II s.r.o. and on the assets and future profits of the Company.

MANAGEMENT REPORT

On 4 April 2018 Rustonka Development s.r.o. (the "Company") entered into a facility agreement with UniCredit Bank Czech Republic and Slovakia a.s. for EUR70.000.000 repayable by 31 December 2019 (conversion date) and EUR80.000.000 repayable by 31 December 2024 and bearing interest of 1M Euribor + 2,15% and 1M Euribor + 1,85% respectively. The loans are secured through a pledge of 100% of the shares in Rustonka Development s.r.o. and on the assets and future profits of the Company.

On 15 May 2018, Gramexo PLC incorporated in Czech Republic a wholly owned subsidiary namely Rustonka Court s.r.o.

In accordance with an agreement signed on 23 May 2019 for the sale of 100% shareholding interest in Rustonka Development s.r.o. between Gramexo Plc as the "Seller" and a third party entity as the "Buyer", Gramexo agrees to sell and transfer to the Buyer and Buyer agrees to purchase and accept from the Seller the shareholding interest on the closing date of 29 May 2019. The transfer of the shareholding interest agreement was executed on 29 May 2019 and on the same date the preliminary purchase price in the amount of EUR63.824.867 (equivalent to TCZK1.650.575) was paid by the Buyer to the Seller for the shareholding interest. Due to contingencies in the calculation of the purchase price, the effect of the transaction could not be reliably calculated. Once the final purchase price is calculated, the difference will be paid by the Buyer to the Seller or refunded by the Seller to the Buyer and the profit will also be adjusted accordingly.

On 29 May 2019, the Company paid the amount of TCZK2.626.419 to the company, J&T Private Equity B.V., representing a loan.

On 1 June 2018, Rustonka Development s.r.o. sold the land in amount of TCZK 34.853 to the Rustonka Court s.r.o..

GRAMEXO PLC as the issuer of unsecured securities, RUSTONKA 0.00 / 21 certificates with discount-based proceeds with a nominal value of each CZK 30,000 certificate with issue date 13 September 2016 and with due maturity in 2021 ("Certificates") has published on its website that in accordance with Clause 5.4, in conjunction with Clause 5.2 of the Certification Terms and Conditions, it will made the Certificates due on 13 September 2019 ("Early Maturity Date"). The company shall repay the Discounted Value of Certificates in the amount of CZK 27.081,90 for each one of the Certificates on the Day of Early Maturity of the Certificates to any person who will be the Owner of Certificates at the end of 14 August 2019 (the so-called Decisive Date for the Redemption Value) within the meaning of Article 6.3 (b) of the emission conditions of the Certificates. The rules for making payments are governed in particular by Article 6.4 of the Issuance Conditions of Certificates. The reason for the early maturity of the Certificates is the fact that GRAMEXO PLC has realized the sale of a 100% ownership interest in Rustonka Development s.r.o., to the buyer, on the basis of a share transfer agreement and net income from the sale of ownership interests is higher than the Discounted Value of all Certificates (as defined in Clause 5.4 of the Certification Terms and Conditions).

On 13 September 2019, Gramexo PLC realised the early repayment of discounted value of the certificates in total amount of CZK 1.064.318.670, from the monies provided to the company by J&T Private Equity B.V., representing a loan.

Related party balances and transactions
Disclosed in note 22 of the consolidated financial statements.

Directors' declaration
We declare that the annual consolidated financial statements of the Group that are presented on pages 17 to 46 were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, and in accordance with the provisions of Article 9, section (4) of the Law, and give a true and fair view of the assets and liabilities, the financial position and the profit or losses of the Group. We further declare that the Management report gives a fair view of the developments and performance of the business as well as the financial position of the Group, together with a description of the principal risks and uncertainties that it is facing.

By order of the Board of Directors,

Ivana Tollarovicova
Director
Nicosia, 17 December 2019

Nicolas Italos
Director
Nicosia, 17 December 2019

KPMG Limited
Chartered Accountants
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Independent Auditors' report

to the Members of

Gramexo Plc

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Gramexo Plc (the "Company") and its subsidiaries (the "Group"), which are presented on pages 17 to 46 and comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and 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 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time (the "Companies Law, Cap.113").

KPMG

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 *"Auditors' responsibilities for the audit of the consolidated financial statements"* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants ("IESBA Code") and the ethical requirements in Cyprus that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties
Refer to note 9 to the consolidated financial statements

The key audit matter

As at 31 December 2017, the Group has a significant holding of investment properties representing approximately 99% of total assets. These investment properties are measured at fair value.

The Management of the Group ("the Management") has estimated the fair value of the investment properties based on a combination of valuations carried out by the Group's own internal valuation experts and independent valuations carried by external valuation expert engaged by the Group.

We focused on this area due to the significance of the balance to the consolidated financial statements as a whole and because of the significant element of judgement and estimation involved in the determination of the fair value of the investment properties

How the matter was addressed in our audit

Our audit procedures included among others:

1) Assessment, using independent valuation experts and an internal KPMG specialist, of the appropriateness of the valuation methodology, assumptions and estimates used by the Management's internal expert and independent external valuation expert engaged by Management, involved in measuring the fair value of the investment properties held by the Group;

2) Evaluating the competency, objectivity and independence of the external valuation expert engaged by Management;

3) Assessing the technical and mathematical accuracy of the valuation model used by the Management's internal expert and external valuation expert engaged by Management;

4) Challenging key assumptions involved in the valuation of the investment properties, such as price per square meter and discount rates;

KPMG

Going Concern
Refer to note 2 to the consolidated financial statements

The key audit matter
As at 31 December 2016 the Group had a negative equity of CZK93.698.351 and had recorded a loss for the same year of CZK42.948.737. As at the same date current liabilities exceed current assets. These events and conditions, indicated at the time a material uncertainty over the Group's ability to continue as a going concern.

For the year 2017 even though the Group made a profit of CZK332.670.678 and, as at 31 December 2017 had positive equity of CZK238.972.327, the Group's current liabilities continued to exceed its current assets by CZK142.756.316.

We focused on this area because this is a condition which affects the consolidated financial statements as a whole and relates to Management's assessment of the Group's ability to continue as a going concern which requires the use of significant judgements over future considerations.

How the matter was addressed in our audit
Our audit procedures included among others:
1) Inspection of the new credit facility agreements with Postova banka a.s. and UniCredit Bank Czech Republic and Slovakia a.s. and whether these provide adequate financing to settle the Group's existing liabilities;
2) Evaluation of the ability of the Group to be in compliance with covenants under the facility agreement with UniCredit Bank Czech Republic and Slovakia a.s.;
3) Inspection of the rental agreement with Amazon Logistic Prague s.r.o. and assessment of cash inflows from rental income;
4) Evaluation of the marketability of the investment properties and assessment of the likely cash inflows with regards to their future disposal;
5) Discussion with management for their future plans for settling the Group's liabilities as they fall due.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as required by the Companies Law, Cap.113.

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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

With regards to the Management report, our report is presented in the *"Report on other legal and regulatory requirements"* section.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS-EU and the requirements of the Companies Law, Cap. 113, and for such internal control as the Board of Directors determines 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 Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to either liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditors' 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 auditors' 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 ISAs, we exercise professional judgment and maintain professional skepticism 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' 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 auditors' 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 auditors' 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 a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors 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.

Auditors' responsibilities for the audit of the consolidated financial statements *(continued)*

We have also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Report on other regulatory and legal requirements

Other regulatory requirements

Pursuant to the requirements of Article 10(2) of EU Regulation 537/2014 we provide the following information, which is required in addition to the requirements of ISAs.

Date of our appointment and period of engagement

We were first appointed auditors on 26 March 2018. Our first period of engagement is for the year ending 31 December 2017.

Provision of non-audit services ("NAS")

We have not provided any prohibited NAS referred to in Article 5 of EU Regulation 537/2014 as applied by Section 72 of the Auditors Law of 2017, L.53(I)2017, as amended from time to time ("Law L.53(I)/2017").

Consistency of the additional report to the Board of Directors

Our audit opinion is consistent with the additional report presented to the Board of Directors.

Other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2017, L.53(I)/2017, as amended from time to time ("Law L.53(I)/2017"), we report the following:

- In our opinion, the consolidated Management Report on pages 2 and 4, the preparation of which is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Companies Law, Cap 113, and the information given is consistent with the consolidated financial statements.
- In the light of the knowledge and understanding of the Group's and its environment obtained in the course of the audit, we have not identified material misstatements in the consolidated Management Report.
- In our opinion, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Companies Law, Cap.113, and which is included as a specific section of the consolidated Management Report, have been prepared in accordance with the requirements of the Companies Law, Cap.113, and is consistent with the consolidated financial statements.

Other matters

Audit Committee

The Company has not established an audit committee as required by Article 78 of the Auditors Law 2017 (53(I)/2017).

Other

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of Law 53(I)/2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The consolidated financial statements of the Group as at and for the year ended 31 December 2016 were audited by another auditor who expressed an unqualified opinion on those statements on 20 December 2017.

The engagement partner on the audit resulting in this independent auditors' report is Marios G. Gregoriades CPA.

Marios G. Gregoriades CPA
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors
14 Esperidon Street
1087 Nicosia
Cyprus

5 June 2018, except as to the *Completion of missing information* on page 2 and *Management Report* on pages 3 to 10, which are as of **17 December 2019**.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2017

	Note	**2017 CZK**	2016 CZK
Other operating income	5	**1.376.985**	8.000
Fair value gains/(losses) on investment property	9	**412.270.152**	(33.525.678)
Administration expenses	6	**(12.332.561)**	(6.827.282)
Operating profit / (loss)		**401.314.576**	(40.344.960)
Finance income	7	**2.766.107**	49.566
Finance costs	7	**(9.620.527)**	(7.011.255)
Profit / (loss) before tax		**394.460.156**	(47.306.649)
Tax	8	**(61.789.478)**	4.357.912
Net profit / (loss) for the year		**332.670.678**	(42.948.737)
Other comprehensive income		**-**	-
Total comprehensive income / (expense) for the year		**332.670.678**	(42.948.737)

The notes on pages 21 to 46 form an integral part of these consolidated financial statements.

GRAMEXO PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2017

	Note	**2017 CZK**	2016 CZK
ASSETS			
Non-current assets			
Investment properties	9	**1.950.759.000**	997.038.000
Intangible assets		**108.000**	128.000
Trade and other receivables	11	**4.217.000**	-
		1.955.084.000	997.166.000
Current assets			
Trade and other receivables	11	**14.284.480**	5.232.965
Cash and cash equivalents	12	**2.444.916**	3.724.700
		16.729.396	8.957.665
Total assets		**1.971.813.396**	1.006.123.665
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**702.094**	702.094
Other reserves	15	**(56.317.703)**	(56.317.703)
Retained earnings /(accumulated losses)		**294.587.936**	(38.082.742)
Total equity		**238.972.327**	(93.698.351)
Non-current liabilities			
Borrowings	16	**1.497.511.357**	976.526.145
Trade and other payables	18	**1.327.000**	-
Deferred tax liabilities	17	**74.517.000**	13.693.680
		1.573.355.357	990.219.825
Current liabilities			
Trade and other payables	18	**124.689.147**	108.930.553
Borrowings	16	**33.853.000**	631.971
Current tax liabilities	19	**943.565**	39.667
		159.485.712	109.602.191
Total liabilities		**1.732.841.069**	1.099.822.016
Total equity and liabilities		**1.971.813.396**	1.006.123.665

On 5 June 2018 the Board of Directors of Gramexo PLC authorised these consolidated financial statements for issue.

....
Ivana Tollarovicova
Director

....
Nicolas Italos
Director

The notes on pages 21 to 46 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Note	Share capital CZK	Other reserves CZK	Retained earnings CZK	Total CZK
Balance at 1 January 2016		**45.520**	**-**	**4.865.995**	**4.911.515**
Transactions with owners					
Issue of share capital	14	656.574	-	-	656.574
Difference in reorganization	15	-	(56.317.703)	-	(56.317.703)
Total transactions with owners		656.574	(56.317.703)	-	(55.661.129)
Comprehensive income					
Net loss for the year		-	-	(42.948.737)	(42.948.737)
Balance at 31 December 2016 / 1 January 2017		**702.094**	**(56.317.703)**	**(38.082.742)**	**(93.698.351)**
Comprehensive income					
Net profit for the year		-	-	332.670.678	332.670.678
Balance at 31 December 2017		**702.094**	**(56.317.703)**	**294.587.936**	**238.972.327**

The notes on pages 21 to 46 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Note	2017 CZK	2016 CZK
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**394.460.156**	(47.306.649)
Adjustments for:			
Depreciation of property, plant and equipment	6	**21.000**	21.000
Fair value (gains)/losses on investment property	9	**(412.270.152)**	33.525.678
Interest expense	7	**9.620.527**	7.009.080
Exchange difference		**(107.755)**	(181)
		(8.276.224)	(6.751.072)
Changes in working capital:			
(Increase)/decrease in trade and other receivables		**(13.267.515)**	7.696.264
Increase in trade and other payables		**17.085.713**	66.179.906
Cash generated from operations		**(4.458.026)**	67.125.098
Tax paid		**(60.306)**	-
Net cash generated from operating activities		**(4.518.332)**	67.125.098
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for construction of investment property	9	**(480.125.985)**	(201.324.000)
Payment for purchase of investments in subsidiaries	10	**-**	(2.703)
Proceeds from disposal of investments in subsidiary - held for sale		**-**	200.000
Net cash used in investing activities		**(480.125.985)**	(201.126.703)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	14	**-**	656.574
Repayments of borrowings		**-**	(477.605.993)
Proceeds from borrowings	16	**483.364.533**	656.680.210
Borrowing costs		**-**	(7.200.678)
Interest paid		**-**	(35.288.000)
Net cash generated from financing activities		**483.364.533**	137.242.113
Net (decrease)/increase in cash and cash equivalents		**(1.279.784)**	3.240.508
Cash and cash equivalents at beginning of the year		**3.724.700**	484.192
Cash and cash equivalents at end of the year	12	**2.444.916**	3.724.700

The notes on pages 21 to 46 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2017

1. Incorporation and principal activities

Country of incorporation

The holding Company Gramexo PLC (the "Company") was incorporated in Cyprus on 14 May 2007 as a limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at Klimentos, 41-43, KLIMENTOS TOWER, 1st floor, Flat/Office 12, 1061 Nicosia, Cyprus.

Principal activities and nature of operations of the Group

The principal activities of the Group is the investments in the Czech real estate market.

2. Basis of preparation and significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented in these consolidated financial statements unless otherwise stated.

Going concern basis

Even though the Group has made a profit of CZK332.670.678 during the year ended 31 December 2017 as of that date the Group's current liabilities exceeded its current assets by CZK142.756.316. The Group's Financial Statements have been prepared on a going concern basis as management is of the opinion that the Group will be able to repay its obligations as they fall due, for the following reasons:

d) Its current liabilities as well as its future capital expenditure requirements to complete the projects will be financed out of new long-term credit facilities with banks which were provided during the year 2018 (note 24);

e) The Group is expected to generate proceeds from future rental income;

f) The bonds issued are expected to be settled out of the proceeds from future rental income, sale of investment property or from refinancing arrangements, or a combination of the three.

Statement of compliance and basis of measurement

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. These consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of investment property.

Adoption of new and revised IFRSs

During the current year the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2017. This adoption did not have a material effect on the accounting policies of the Company.

Standards issued but not yet effective

Up to the date of approval of the consolidated financial statements, certain new standards, interpretations and amendments to existing standards have been published that are not yet effective for the current reporting period and which the Group has not early adopted. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

(i) Issued by the IASB and adopted by the European Union

New standards
- *IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018).*
- *IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018).*
- *IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019).*
- *Amendments to IAS 40: "Transfers of Investment Property" (effective for annual periods beginning on or after 1 January 2018).*
- *IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Consideration" (effective for annual periods beginning on or after 1 January 2018).*
- *Annual Improvements to IFRSs 2014–2016 Cycle (issued on 8 December 2016) (effective for annual periods beginning on or after 1 January 2018)*

(ii) Issued by the IASB but not yet adopted by the European Union
- *Annual Improvements to IFRSs 2015–2017 Cycle (issued in December 2017) (effective for annual periods beginning on or after 1 January 2019)*
- *Amendments to References to the Conceptual Framework in IFRS Standards (issued in March 2018), effective for annual periods beginning on or after 1 January 2020)*

(ii) Issued by the IASB but not yet adopted by the European Union

New IFRICs
- *IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments" (effective for annual periods beginning on or after 1 January 2019).*

The above are expected to have no significant impact on the Group's consolidated financial statements when they become effective.

Basis of consolidation

The Company has subsidiary undertakings for which section 142(1)(b) of the Cyprus Companies Law Cap. 113 requires consolidated financial statements to be prepared and laid before the Company at the Annual General Meeting. The Group consolidated financial statements comprise the financial statements of the parent company Gramexo PLC (formerly Gramexo Limited) and the financial statements of the subsidiaries, Rustonka Development s.r.o. and Rustonka Development II s.r.o. (note 10).

The financial statements of all the Group companies are prepared using uniform accounting policies. All inter-company transactions and balances between Group companies have been eliminated during consolidation.

2. Basis of preparation and significant accounting policies (continued)

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

Purchases of subsidiaries from parties under common control are accounted for using predecessor method of accounting prospectively.

2. Basis of preparation and significant accounting policies (continued)

Business combinations (continued)

No assets or liabilities are restated to their fair values. Instead, the acquirer incorporates predecessor carrying values. These are the carrying values that are related to the acquired entity. They are generally the carrying amounts of assets and liabilities of the acquired entity from the consolidated financial statements of the highest entity that has common control for which consolidated financial statements are prepared. These amounts include any goodwill recorded at the consolidated level in respect of the acquired entity.

This is because the transaction is under the control of that entity, and it is a portion of the controlling entity that is being moved around in the transaction. In some cases, the controlling party, that is, the party that controls both combining businesses, may not prepare consolidated financial statements. This can occur, for example, because it is not a parent company. In such situations, the book values used are those from the highest set of consolidated financial statements available. If no consolidated financial statements are produced, the values used are those from the financial statements of the acquired entity.

No new goodwill arises in predecessor accounting. The combining entities are looked at from the perspective of a transfer made by the controlling party. The transaction is not seen as an equal exchange of values and a change of control from the date of the business combination. No goodwill beyond that recorded by the controlling party in relation to the acquiree can therefore arise. Predecessor accounting may lead to differences on consolidation. For example, there may be a difference between the consideration given and the aggregate book value of the assets and liabilities (as of the date of the transaction) of the acquired entity. The differences are included in other reserves in equity.

Segmental reporting

The Group's operations are entirely carried out in Czech Republic where all of the Group's revenue is generated.

Finance income

Interest income is recognized on a time-proportion basis using the effective method.

Finance costs

Interest expense and other borrowing costs are charged to profit or loss as incurred.

Foreign currency translation

(1) **Functional and presentation currency**

Items included in the Group's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Czech Koruna (CZK), which is the Group's functional and presentation currency.

(2) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in profit or loss within "finance costs". All other foreign exchange gains and losses are presented in profit or loss within "other gains/(losses) – net".

2. Basis of preparation and significant accounting policies (continued)

Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Dividends

Dividend distribution to the Group's shareholders is recognized in the Group's financial statements in the year in which they are approved by the Group's shareholders. More specifically, interim dividends are recognized as a liability in the period in which these are authorized by the Board of Directors and in the case of final dividends, these are recognized in the period in which these are approved by the Group's shareholders.

Investment properties

Investment property, principally comprising of property under development, shops and office buildings, is held for long-term rental yields and/or for capital appreciation and is not occupied by the Group. Investment property is carried at fair value, representing open market value determined annually by external valuers. Under IAS 40 'Investment property', which the Group adopted, changes in fair values are recorded in profit or loss and are included in other operating income.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the continued use of the asset. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of that asset, when it is probable that they will result in future economic benefits to the Group and the costs can be measured reliably.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

2. Basis of preparation and significant accounting policies (continued)

Intangible assets (continued)

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Financial instruments

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

Financial assets

(1) Classification

The Group classifies its financial assets in the category of loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the reporting date. These are classified as non-current assets.

(2) Recognition and measurement

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortized cost using the effective interest method.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

2. Basis of preparation and significant accounting policies (continued)

Financial instruments(continued)

For financial assets measured at amortized cost, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Trade receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash at bank and in hand.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings, using the effective interest method, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalized as part of the cost of that asset.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extend there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment and amortized over the period of the facility to which it relates.

Borrowing costs are interest and other costs that the Group incurs in connection with the borrowing of funds, including interest on borrowings, amortization of discounts or premium relating to borrowings, amortization of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of that asset, when it is probable that they will result in future economic benefits to the Group and the costs can be measured reliably.

Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortized cost, using the effective interest rate method.

2. Basis of preparation and significant accounting policies (continued)

<u>Financial instruments</u> (continued)

Derecognition of financial assets and liabilities

<u>Financial assets</u>

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

<u>Financial liabilities</u>

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Share capital

Ordinary shares are classified as equity.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Non-current liabilities

Non-current liabilities represent amounts that are due more than twelve months from the reporting date.

3. Financial risk management

Financial risk factors
The Group is exposed to interest rate risk, credit risk, liquidity risk and currency risk arising from the financial instruments it holds. The risk management policies employed by the Group to manage these risks are discussed below:

3.1 Interest rate risk
Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings and loans receivable issued at variable rates expose the Group to cash flow interest rate risk. Borrowings and loans receivable issued at fixed rates expose the Group to fair value interest rate risk. The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

At the reporting date the interest rate profile of interest-bearing financial instruments was:

	2017	2016
	CZK	CZK
Fixed rate instruments		
Financial liabilities (capital amount)	**(1.446.013.479)**	(962.560.363)
	(1.446.013.479)	(962.560.363)

Sensitivity analysis

Any increase/(decrease) in interest rates will have no effect on results and equity of the Group, because, all financial instruments have been issued at fixed rate.

3.2 Credit risk
Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Group has significant concentration of credit risk, in relation to the trade and other receivables and cash and cash equivalents, which as at 31 December 2017 amounted to CZK18.078.000 (2016: CZK2.541.315) and CZK2.439.916 (2016: CZK3.724.700), respectively and which are unsecured.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2017	2016
	CZK	CZK
Trade and other receivables	**18.078.000**	2.541.315
Cash at bank	**2.439.916**	3.724.700
	20.517.916	6.266.015

The table below shows an analysis of the Company's financial instruments by the credit rating in which they are held:

	2017	2016
	CZK	CZK
Without credit rating	**20.517.916**	6.265.700
	20.517.916	6.265.700

3. Financial risk management (continued)

3.3 Liquidity risk
The finance department monitors rolling forecasts of the Group's liquidity requirements based on expected cash flows in order to ensure it has sufficient cash to meet its operational needs, under both normal circumstances and stressed conditions.

Surplus cash held by the Group over and above the balance required for working capital management may be deposited in interest bearing accounts and short term time deposits, choosing deposits with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above mentioned forecasts.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

31 December 2017	Carrying amounts	Contractual cash flows	Demand and less than a month	1-12 months	1-2 years	2-5 years
	CZK	CZK	CZK	CZK	CZK	CZK
Bonds	962.050.452	1.179.000.000	-	-	-	1.179.000.000
Credit facilities	569.313.905	652.355.205	-	34.917.464	167.832.281	449.605.460
Trade and other payables	126.017.147	126.017.147	126.017.147	-	-	-
	1.657.381.504	**1.957.372.352**	**126.017.147**	**34.917.464**	**167.832.281**	**1.628.605.460**

31 December 2016	Carrying amounts	Contractual cash flows	Demand and less than a month	1-12 months	1-2 years	2-5 years
	CZK	CZK	CZK	CZK	CZK	CZK
Bonds	655.859.167	849.000.000	-	-	-	849.000.000
Credit facilities	321.298.949	382.244.029	-	663.636	47.095.977	334.484.416
Trade and other payables	108.930.553	108.930.553	108.930.553	-	-	-
	1.086.088.669	1.340.174.582	108.930.553	663.636	47.095.977	1.183.484.416

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the ability to close out market positions. Management maintains flexibility in funding by maintaining availability of cash and cash equivalent reserves.

3.4 Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's measurement currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro. The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly. No sensitivity analysis is disclosed as management assessed the effect of any foreign currency fluctuation is not significant.

4. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Group's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

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

The estimates and underlying assumptions are revised on a continuous basis. Revisions in accounting estimates are recognized in the period during which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

Judgments

Information about judgments in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements are discussed below:

- **Group reorganization – asset acquisition or group reorganization**

  During the prior year the Group acquired an entity under common control. In determining whether the transaction constituted an asset acquisition or an acquisition of a business, the management has exercised significant judgment. The management has considered the definition of a business in IFRS 3 “Business combinations” and more specifically, whether what was acquired included merely a group of assets or whether it also involved inputs and processes capable of generating output, including assessing whether market participants would be expected to be able to replace the missing elements and, thus, manage the acquired group in a way that would provide a return to its investors. Following this consideration, management has concluded that the Group has acquired a business and as result has accounted for the transaction as a group reorganization and not an asset acquisition.

Assumptions and estimation uncertainties

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Income taxes**

  Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4. Critical accounting estimates and judgments (continued)

Measurement of fair values

- **Valuation of investment properties**

The investment property is carried at fair value of CZK1.950.759.000 (2016: CZK997.038.000). Fair values of investment property are determined either by independent valuators or by management, in both cases based on current market values and conditions. The independent valuators use their judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the reporting date. In addition to independent valuators, management uses own expert/specialist knowledge as well. The independent valuators hold a recognized and relevant professional qualification and are experienced in the geographical locations and segment categories of the properties valued.

The valuation of investment properties requires significant judgment. For accounting estimates and assumptions used as well as sensitivity analysis, refer to Note 9.

Out of the total investment property CZK1.794.199.000 was valued by management and CZK156.560.000 was valued by independent valuators (2016: CZK997.038.000 valued by independent valuators).

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:
- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Fair value measurements for investment property were categorized as Level 3 measurement based on the inputs used in the valuation technique.

Further information about the assumptions made in measuring fair values is included in notes:
- Note 9 - Investment properties

5. Other operating income

	2017	2016
	CZK	CZK
Rental income	**119.000**	-
Sundry operating income	**1.257.985**	8.000
	1.376.985	8.000

6. Expenses by nature

	2017	2016
	CZK	CZK
Director fees (Note 22.1)	25.747	10.820
Depreciation and amortization expense	21.000	21.000
Auditors' remuneration	592.656	1.061.076
Auditors' remuneration - prior years	3.949	-
Bond administration fee	877.219	1.387.605
Bond administration fee - prior year	(207.066)	-
Administrative services	8.094.427	1.327.540
Accounting fees	205.308	192.923
Marketing expenses	-	543.000
Guarantee expense	2.265.850	2.265.850
Annual company fee	9.466	9.468
Repairs and maintenance	149.100	-
Professional fees	148.515	-
Rent	63.390	-
Taxes and charges	83.000	-
Other expenses	-	8.000
Total expenses	**12.332.561**	6.827.282

7. Finance income/cost

	2017	2016
	CZK	CZK
Net foreign exchange profit	2.766.107	49.566
Finance income	**2.766.107**	49.566
Interest expense	(9.620.527)	(7.009.080)
Sundry finance expenses	-	(2.175)
Finance costs	**(9.620.527)**	(7.011.255)
Net finance costs	**(6.854.420)**	(6.961.689)

8. Tax

	2017	2016
	CZK	CZK
Corporation tax - current year	966.478	(39.088)
Deferred tax - charge (Note 17)	60.823.000	4.397.000
Charge for the year	**61.789.478**	4.357.912

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2017	2016
	CZK	CZK
Profit/(loss) before tax	394.460.156	(47.306.649)
Tax calculated at the applicable tax rates	49.307.520	(5.913.331)
Tax effect of expenses not deductible for tax purposes	7.003.057	599.116
Tax effect of allowances and income not subject to tax	(65.245.709)	-
Tax effect of tax losses brought forward	9.744	-
Tax effect of tax differences from different jurisdictions	70.605.953	9.668.574
10% additional charge	85.756	3.553
Prior year tax	23.157	-
Tax credit	**61.789.478**	4.357.912

The corporation tax rate in Cyprus is 12,5% and in Czech Republic is 19%. However during the current and past year no corporation tax derived from the activities in Czech Republic.

9. Investment properties

The Group's investment property is measured at fair value. Fair value is based on active market process, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices or less active markets or discounted cash flow projections. Changes in fair values are recorded in profit or loss and are included in “Fair value losses on investment property”.

The Group holds one class of investment property being land and buildings in Czech Republic as shown below:

	Czech Republic	2016 Total
	CZK	CZK
Fair Value hierarchy	**Level 3**	**Level 3**
Fair Value at 1 January 2016	-	-
Fair value at subsidiary's acquisition date	**822.039.000**	**822.039.000**
Additions:		
- Direct acquisitions	**30.504.000**	**30.504.000**
- Development costs	**170.820.000**	**170.820.000**
Capitalised borrowing costs	**7.200.678**	**7.200.678**
Net gain/(loss) from fair value adjustments on investment property	**(33.525.678)**	**(33.525.678)**
Fair value at 31 December 2016	**997.038.000**	**997.038.000**

	Czech Republic	2017 Total
	CZK	CZK
Fair Value hierarchy	**Level 3**	**Level 3**
Fair Value at 1 January 2017	**997.038.000**	**997.038.000**
Additions:		
- Development costs	**480.125.985**	**480.125.985**
Capitalised borrowing costs	**61.324.863**	**61.324.863**
Net gain/(loss) from fair value adjustments on investment property	**412.270.152**	**412.270.152**
Fair value at 31 December 2017	**1.950.759.000**	**1.950.759.000**

The interest capitalization rate used to determine the amount of borrowing costs eligible for capitalization is approximately 4% (2016: 2,2%).

The Group's policy is to recognize transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no such transfers during the current year.

The Group’s investment property is pledged as collateral under the bank credit facility (Note 16).

On 1 August 2017 Rustonka Development s.r.o. (Lessor) entered into a lease agreement with Amazon Logistic Prague s.r.o. (Lessee) whereby the Lessor will lease out buildings to the Lessee. The commencement date will not be earlier than on 1 February 2018.

The contractual obligations regarding the investment property as at 31 December 2017 are EUR46,5m for Rustonka Development s.r.o. and EUR36,8m for Rustonka Development II s.r.o.

9. Investment properties (continued)

Valuation processes

The Group's investment properties were valued by management and by independent professionally qualified valuers who hold a recognized relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

Out of the total investment property of CZK1.950.759.000, CZK1.794.199.000 was valued by management and CZK156.560.000 was valued by independent valuators (2016: CZK997.038.000 was valued by independent valuators).

There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields. An increase in the future rental income may be linked with higher costs.

Valuation techniques underlying management's estimation of fair value

Future rental cash inflows	based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties;
Discount rates	reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
Estimated vacancy rates	based on current and expected future market conditions after expiry of any current lease;
Capitalisation rates	based on actual location, size and quality of the properties and taking into account market data at the valuation date;
Terminal value	taking into account assumptions regarding maintenance costs, vacancy rates and market rents.

The following valuation techniques were used for the valuation of the investment properties by the professional valuator:

- Income approach: This method is used to convert the anticipated economic benefits of property ownership into a value estimate through a capitalisation approach. The net income was converted into value with the use of the discounted cash flow technique (DCF) wherein anticipated future income streams and a reversionary value are discounted to a present value estimate. The significant unobservable input in this method is therefore the rental income, given that there is an assumption that it will continue at perpetuity. Accordingly, the fair value was classified as level 3.

- Residual approach: The residual analysis determines a price that could be paid for the site given the expected 'as if complete' value of the proposed development and the total cost of the proposed development, allowing for market level profit margins and having due regard to the known characteristics of the property and the inherent risk involved in its development. The significant unobservable input in this method is therefore the total development costs, given that there are assumptions over the cost per square meter and the estimated marketing and professional fees. Accordingly, the fair value was classified as level 3.

- Comparative method: This method considers the comparable data, for market price of property per square meter taking into account the physical and legal characteristics of the properties, the trends and the prospects of the property market and of the economy. The valuation technique uses significant unobservable inputs. Accordingly, the fair value was classified as level 3.

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobserved inputs used:

9. Investment properties (continued)

Information about fair value measurements using significant unobservable inputs (Level 3)
As at 31 December 2016:

			Level 3 - Range of unobservable inputs			Sensitivity analysis – Valuations resulting from the following changes in significant inputs					
District	**Valuation**	**Valuation technique**	**Weighted Average Price per Square Meter**	**Annual Rent (Weighted average)**	**Range of Discount Rates (weighted average discount rate)**	**Increase of 15% in the weighted average price per square meter**	**Decrease of 15% in the weighted average price per square meter**	**Increase of 15% in the annual rent**	**Decrease of 15% in the annual rent**	**Increase of 15% in the discount rate**	**Decrease of 15% in the discount rate**
	CZK		**CZK**	**CZK**	**CZK**	**CZK**	**CZK**	**CZK**	**CZK**	**CZK**	**CZK**
Czech Republic											
Rustonka I Building A	**624.162.000**	Income approach	42.924	55.029.013	8%	49.363	36.485	63.283.365	46.777.661	9.2%	6.8%
Rustonka I Building B	**143.206.000**	Residual approach	9.978	66.561.689	Not Applicable	11.475	8.481	76.545.943	56.577.436	Not Applicable	Not Applicable
Rustonka I Building C	**102.676.000**	Residual approach	7.112	66.754.909	Not Applicable	8.179	6.045	76.768.146	56.741.673	Not Applicable	Not Applicable
Rustonka II	**94.570.000**	Residual approach	6.161	71.424.452	Not Applicable	7.085	5.237	82.138.120	60.710.784	Not Applicable	Not Applicable
Rustonka III - Land	**32.424.000**	Comparable approach	12.338	Not Applicable	Not Applicable	14.189	10.487	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Market value per external valuation report/Fair value at 31 December 2016	**997.038.000**										

9. Investment properties (continued)

Information about fair value measurements using significant unobservable inputs (Level 3)
As at 31 December 2017:

Property located in Czech Republic	Type of property	Valuation	Valuator	Valuation method	Square meters land/ offices & retail	Square meters parking	Yield used	Average price per square meter	Average monthly rent per square meter for office & retail	Average monthly rent per square meter for parking	Average construction costs per square meter of office & retail	Average construction costs per square meter of parking	Developer's % profit
							Level 3 range of unobservable inputs						
		CZK						CZK	CZK	CZK	CZK	CZK	
Rustonka II	Land	156.559.743	CBRE LTD - external	Comparative method	4.347	Not Applicable	Not Applicable	36.030	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Rustonka 1 Building 1	Building	1.051.275.950	Management - internal	Income approach	15.298	5.635	5,25% - 6,25%	Not Applicable	341,62	69,31	Not Applicable	Not Applicable	Not Applicable
Rustonka 1 Building 2	Building under construction	487.521.762	Management - internal	Residual approach	15.149	5.635	6,25%	Not Applicable	352,92	68,62	20.428	11.491	17,5%
Rustonka 1 Building 3	Building under construction	255.401.545	Management - internal	Residual approach	15.112	5.635	6,25%	Not Applicable	352,88	68,62	20.428	11.491	20%
Fair value at 31 December 2017		**1.950.759.000**											

9. Investment properties (continued)

Valuations resulting from the following changes in significant inputs

Property located in Czech Republic	Type of property	Increase of 0,5% in yield CZK	Decrease of 0,5% in yield CZK	Increase of 5% in average price per square meter CZK	Decrease of 5% in average price per square meter CZK	Increase of 5% in average monthly rent per square meter CZK	Decrease of 5% in average monthly rent per square meter CZK	Increase of 5% in average construction costs per square meter CZK	Decrease of 5% in average construction costs per square meter CZK	Increase of 0,5% in the developers profit CZK	Decrease of 0,5% in the developers profit CZK
Rustonka II	Land	Not Applicable	Not Applicable	164.453.006	148.790.815	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Rustonka 1 Building 1	Building	961.137.400	1.160.055.050	Not Applicable	Not Applicable	1.103.878.050	1.006.079.000	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Rustonka 1 Building 2	Building under construction	411.427.462	577.149.612	Not Applicable	Not Applicable	538.081.062	436.962.462	454.836.962	520.461.912	481.904.062	493.394.812
Rustonka 1 Building 3	Building under construction	179.562.595	344.774.045	Not Applicable	Not Applicable	305.960.845	205.097.595	221.439.995	289.618.445	249.783.845	261.274.595

10. Investments in subsidiaries

The group's principal subsidiaries at 31 December 2017 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Name	Place of business/ country of incorporation	Principal activities	Ownership interest held by the group %
Rustonka Development s.r.o.	Czech Republic	Real Estate	100
Rustonka Development II s.r.o.	Czech Republic	Real Estate	100

11. Trade and other receivables

	2017 CZK	2016 CZK
Deferred expenses (1)	423.480	2.691.650
Other receivables (2)	18.078.000	2.541.315
	18.501.480	5.232.965
Less non-current receivables	(4.217.000)	-
Current portion	14.284.480	5.232.965

(1) Deferred expenses include an amount of CZK415.923 (2016: CZK2.681.773) which is related to guarantee fees. These fees are resulting from a guarantee declaration agreement issued by the related company, J&T Real Estate a.s. (as the guarantor) in favour of the buyer of the Group's investment in Development Pobrezni s.r.o. In the event that in the future, Gramexo PLC as the seller would not be able to meet its obligations arising from the agreement on transfer of shares, if any, the guarantor would settle those obligations on its behalf. The guarantee declaration matures on 3 March 2018, and the relevant costs are amortized over a period of three years.

(2) Trade and other receivables comprise mainly of prepayments.

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

The exposure of the Group to credit risk and impairment losses in relation to trade and other receivables is reported in note 3 of the consolidated financial statements.

12. Cash and cash equivalents

Cash balances are analysed as follows

	2017 CZK	2016 CZK
Cash at bank	2.439.916	3.724.700
Cash in hand	5.000	-
	2.444.916	3.724.700

Cash and cash equivalents by currency:

	2017 CZK	2016 CZK
Czech koruna	718.299	3.133.629
Euro	1.726.617	591.071
	2.444.916	3.724.700

The exposure of the Group to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 3 of the consolidated financial statements.

13. Assets classified as held for sale

	2017	2016
	CZK	CZK
Balance at 1 January	**-**	200.000
Disposals	**-**	(200.000)
Balance at 31 December	**-**	-

On 28 April 2016, the holding Company disposed to an unrelated party the subsidiary PROSEK COURT s.r.o, for a consideration of CZK200.000. The disposal had no impact in the profit or loss of the Group.

14. Share capital

	2017	**2017**	**2017**	2016	2016	2016
	Number of shares	**EUR**	**CZK**	Number of shares	EUR	CZK
Authorised						
Ordinary shares of €1,71 each	**15.205**	**26.000**	**702.094**	15.205	26.000	702.094
Issued and fully paid						
Balance at 1 January	**15.205**	**26.000**	**702.094**	1.000	1.710	45.520
Issue of shares	**-**	**-**	**-**	14.205	24.290	656.574
Balance at 31 December	**15.205**	**26.000**	**702.094**	15.205	26.000	702.094

On 5 May 2016, through a shareholder's resolution, the Company's authorised share capital was increased from 1.000 ordinary shares of €1,71 each to 15.205 ordinary shares of €1,71 each. On the same day, the Company issued additional 14.205 shares of €1,71 each at par.

15. Other reserves

On 30 June 2016 Gramexo PLC acquired 100% of the share capital of Rustonka Development s.r.o for CZK2.703 as a result of a reorganization of the Group (under common control). At the date of acquisition, the net liabilities of the subsidiary were CZK56.315.000. The resulting amount of CZK56.317.703 was recognized in other reserves as 'difference in reorganization'.

The assets and liabilities acquired were as follows:

	Acquiree's carrying amount before combination
	CZK
Intangible assets	149.000
Investment property	822.039.000
Trade and other receivables	7.971.000
Cash at bank and in hand	439.000
Trade payables	(42.460.000)
Current borrowings	(42.813.000)
Non-current borrowings	(783.550.000)
Provisions for other liabilities and charges	(18.090.000)
	(56.315.000)

16. Borrowings

	2017 CZK	2016 CZK
Current borrowings		
Credit facilities (1)	**25.479.000**	620.874
Credit facilities - accrued interest	**8.374.000**	11.097
	33.853.000	631.971
Non-current borrowings		
Bonds - capital amount (2)	**904.900.814**	648.658.489
Bonds - accrued interest	**57.149.638**	7.200.678
Credit facilities (3)	**515.633.665**	313.281.000
Credit facilities - accrued interest	**19.827.240**	7.385.978
	1.497.511.357	976.526.145
Total	**1.531.364.357**	977.158.116

Maturity of non-current borrowings:

	2017 CZK	2016 CZK
Between one to two years	**147.430.905**	43.699.000
Between two and five years	**1.350.080.452**	932.827.145
	1.497.511.357	976.526.145

(1) The credit facility is unsecured, carrying interest at the fixed rate of 5.10% per annum and repayable by 26 October 2018.

(2) During the year 2016, Gramexo PLC (the issuer) entered into an agreement called ' Mandate Agreement on Provision of the Issue of Certificate' with J&T IB and Capital Markets a.s. and a separate agreement with J&T Banka a.s. for the administration of the issued certificates. The issuer decided to issue unsecured and unsubordinated certificates in registered form, as bearer securities (bonds), in the total anticipated aggregate principal amount of CZK1.395.000.000, in the expected quantity of 46,500 certificates with the expected nominal value of each certificate amounting to CZK30.000, at initial issue price in the amount of CZK23.228 (77,43%), due in 2021. On various dates during the current year, the Company issued 11.000 certificates for the total issue price of CZK260.808.986 (CZK23.710, 79,03% issue price). The total transaction costs of CZK4.566.661 relating to this issue were capitalized in the capital amount of the Bond. As at the year ended 31 December 2017, the issued certificates amounted to 39.300 (2016: 28.300 certificates) with a total aggregate principal amount of CZK1.179.000. The issue offer period ended on 12 September 2017. The certificates are listed in Prague stock exchange market, with ISIN of CZ0003514861.

(3) The credit facilities bear interest between 5.10% to 7,92% per annum. The capital amount and the interest are repayable between 10 March 2019 to 30 April 2020. The bank credit facilities amounting to CZK523.409.000 are secured over the Group's investment property (Note 9) while the remaining credit facility amounting to CZK12.051.905 is unsecured.

The listed fair value of the bonds as at 31 December 2017 is CZK984.465.000. These relate to hierarchy 1 bonds.

The weighted average effective interest rates at the reporting date were as follows:

	2017	2016
Bonds	**5,64%**	5,64%
Credit facilities	**6,23%**	6,78%

The carrying amount of the borrowings is reasonable approximation of their fair value.

16. Borrowings (continued)

The Group borrowings are denominated in the following currencies:

	2017	2016
	CZK	CZK
CZK	**1.485.459.452**	932.827.145
Euro	**45.904.905**	44.330.971
	1.531.364.357	977.158.116

17. Deferred tax

Deferred tax liability

	2017	2016
	CZK	CZK
Balance at 1 January	**13.693.680**	-
Revaluation of investment property	**60.823.320**	13.693.680
Balance at 31 December	**74.517.000**	13.693.680

Deferred taxation liability arises as follows:

	2017	2016
	CZK	CZK
Fair value gains on investment property	**74.517.000**	13.693.680
	74.517.000	13.693.680

18. Trade and other payables

	2017	2016
	CZK	CZK
Trade payables	**121.019.000**	105.311.496
VAT	**4.853**	766.619
Operating received advances	**1.356.000**	-
Accruals	**2.888.215**	2.537.181
Other creditors	**741.079**	315.257
Deferred income	**7.000**	-
	126.016.147	108.930.553
Less non-current payables	**(1.327.000)**	-
Current portion	**124.689.147**	108.930.553

The Group trade and other payables are denominated in the following currencies:

	2017	2016
	CZK	CZK
Czech koruna	**123.286.792**	106.589.496
Euro	**2.729.355**	2.341.057
	126.016.147	108.930.553

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

19. Current tax liabilities

	2017	2016
	CZK	CZK
Corporation tax	**943.321**	39.408
Special contribution for defence	**244**	259
	943.565	39.667

20. Segment information

(i) Factors that management used to identify the reportable segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Board of Directors of Gramexo PLC.

Operating segments are components that engage business activities that may earn revenue or incur expenses, whose operating results are regularly reviewed by the Board of Directors, and for which discrete financial information is available.

(ii) Measurement of operating segments

The Board of Directors reviews financial information prepared based on IFRS to meet the requirements of internal reporting and evaluates the financial performance of the each segment based on profit before tax.

(iii) Information about reportable segments

Both in 2016 and 2017, the Group's operations were entirely carried out by separate subsidiaries in Czech Republic, namely Rustonka Development s.r.o. and Rustonka Development II s.r.o., where all of the Group's revenue was generated. The primary activity of the subsidiaries was the development of land in a different building site. The subsidiaries were accounted for as a different line of business and for the segmental information were evaluated as a stand-alone business.

21. Operating Environment of the Group

21.1 Cyprus

The Cyprus economy has been adversely affected during the last few years by the economic crisis. The negative effects have to some extent been resolved, following the negotiations and the relevant agreements reached with the European Commission, the European Central Bank and the International Monetary Fund (IMF) for financial assistance which was dependent on the formulation and the successful implementation of an Economic Adjustment Program. The agreements also resulted in the restructuring of the two largest (systemic) banks in Cyprus through a “bail in”.

The Cyprus Government has successfully completed earlier than anticipated the Economic Adjustments Program and exited the IMF program on 7 March 2016, after having recovered in the international markets and having only used €7,25 billion of the total €10 billion earmarked in the financial bailout. Under the new Euro area rules, Cyprus will continue to be under surveillance by its lenders with bi-annual post-program visits until it repays 75% of the economic assistance received.

Although there are signs of improvement, especially in the macroeconomic environment of the country’s economy including growth in GDP and reducing unemployment rates, significant challenges remain that could affect the estimates of the Company's cash flows and its assessment of impairment of financial and non-financial assets.

21. Operating Environment of the Group (continued)

21.2 Czech Republic

During 2017, the Czech economy expanded by 0.2% over the Q3, a touch lower than the initial 0.3% estimate. Private consumption remained strong, expanding by 0.9% on the quarter, while fixed investment rebounded 2.5% after sharp falls in Q1 and Q2; together, these two components added 0.7% q/q to growth in Q3. Less positively, however, exports contracted by 1.9%, and net exports registered a q/q fall. Overall, although the figures slightly disappointed, they were still broadly in line with our estimate, and our 2016 GDP growth forecast remains unchanged at 2.4%. This implies a slight re-acceleration of growth in Q4.

Despite temporarily weak fixed investment due to the cyclicality of EU funds, the overall macro picture remains solid. Based on an upgrade to our fixed investment forecast to 2.5% in 2017, we have increased our growth projection for next year to 2.4% from 2.1% before. The main upside risks to our forecast are an even stronger investment rebound and resilient private consumption (whose growth we forecase to decelerate by 0.2pp in 2017). The main downside risks are a European economy downturn and a stronger-than-expected hit from koruna appreciation, as the CNB abandons the euro peg.

Inflation in November hit 1.5% y/y, surprising on the upside due to a stronger-than-expected rebound in food prices (1.6% y/y). Combined with domestic demand resilience and a very tight labour market, strong inflation prints in Q4thus far have increased speculation about the central bank possibly exiting from the CZK27/€1 currency floor earlier than its mid-2017 guidance and our late 2017 call.

The UK's 'Brexit' vote presents some downside risk to both our H2 and medium-term forecasts. The impact via indirect linkages - including a slight hit to growth in the Eurozone as well as a deterioration in sentiment that affects credit growth and FDI - will be more important than the direct exposure, as trade and investment links are fairly limited.

In general, the Czech Republic has relatively low overall country risk thanks to its strong macroeconomic fundamentals, solid monetary policy, sound banking sector, good quality infrastructure, and strong judicial system. Risks stem mainly from unstable political institutions, which have held back reform progress, persistent corruption and an undiversified export structure that is highly dependent on automotive products. Moreover, the ruling coalition is ideologically diverse and the government is deeply divided. Therefore, the risk of yet another government collapse or policy deadlock persists.

These challenges, as well as the anemic economic growth and/or economic recession in many Eurozone countries and other business partners, such as Russia and Ukraine, could affect or have affected:

(1) the ability of the Group to obtain new borrowings or re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions,
(2) the ability of the Group’s trade and other debtors to repay the amounts due to the Group,
(3) the cash flow forecasts of the Group’s management in relation to the impairment assessment for financial and non-financial assets.

The Group’s management has assessed whether any impairment allowances are deemed necessary for the Group’s financial assets carried at amortized cost by considering the economic situation and outlook at the end of the reporting period.

The Group’s management is unable to predict all developments which could have an impact on the Cyprus & Czech Republic economy and consequently, what effect, if any, they could have on the future financial performance, cash flows and financial position of the Group.

On the basis of the evaluation performed the Group’s management has concluded that no provisions or impairment charges are necessary.

The Group’s management believes that it is taking all the necessary measures to maintain the viability of the Group and the development of its business in the current business and economic environment and that the Group will be able to continue operating as a going concern.

22. Related party balances and transactions

As from 31 October 2017 and following the relevant share purchase agreements, the immediate parent entity of the Company is J&T Real Estate Holding Limited, with registered office located at Klimentos, 41-43, Klimentos Tower, 1st floor, flat/office 12, 1061, Nicosia, Cyprus. The financial results of the Group are included in the consolidated financial statements of J&T Real Estate Holding Ltd which can be obtained from its registered office address. There is no single ultimate controlling party since the ordinary shares in J&T Real Estate Holding Ltd are held by 6 individuals who are resident in Slovakia. The principal activity of the parent entity is the holding of investments. As at 31 December 2016, the ultimate beneficial owner was Mr. Pavel Bagin, Czech Republic resident.

The related party balances and transactions are as follows:

22.1 Directors' remuneration

The remuneration of Directors and other members of key management was as follows:

	2017	2016
	CZK	CZK
Directors' fees	**25.747**	10.820
	25.747	10.820

There were no other Directors' salaries and remuneration. Also the Directors do not have shares or options to acquire shares of the Group.

22.2 Borrowings from related company (Note 16)

	2017	2016
	CZK	CZK
Capital amount	**37.217.665**	-
Accrued interest	**8.687.240**	-
	45.904.905	-

For details refer to Note 16. The interest expense for the year amounts to CZK413.360.

22.3 Deferred expenses from related company (Note 11)

	2017	2016
	CZK	CZK
Deferred expenses	**423.480**	-
	423.480	-

For details refer to Note 11.

23. Contingencies

The Company is obliged to pay to J&T Real Estate CZ a.s. the amount of CZK28.000.000 in case that the subsidiary company Rustonka Development s.r.o. is sold above the amount of CZK242.100.000 before 31 December 2021. No provision has been effected as the management is of the opinion that such an event is not probable.

24. Events after the reporting period

On 5 February 2018 Rustonka Development II s.r.o. (the "Company") entered into a loan contract with Postova banka a.s. for EUR43.060.000 and CZK3.000.000 repayable by 31 January 2021 and bearing interest of 12M Euribor + 5,191% per annum and 12M Pribor + 3,98% per annum respectively. The loans are secured through a pledge of 100% of the shares in Rustonka Development II s.r.o. and on the assets and future profits of the Company.

24. Events after the reporting period (continued)

On 4 April 2018 Rustonka Development s.r.o. (the “Company”) entered into a facility agreement with UniCredit Bank Czech Republic and Slovakia a.s. for EUR70.000.000 repayable by 31 December 2019 (conversion date) and EUR80.000.000 repayable by 31 December 2024 and bearing interest of 1M Euribor + 2,15% and 1M Euribor + 1,85% respectively. The loans are secured through a pledge of 100% of the shares in Rustonka Development s.r.o. and on the assets and future profits of the Company.

On 15 May 2018, Gramexo PLC incorporated in Czech Republic a wholly owned subsidiary namely Rustonka Court s.r.o..

ADDITIONAL INFORMATION

GRAMEXO PLC
REPORT AND FINANCIAL STATEMENTS
31 December 2017

GRAMEXO PLC

REPORT AND FINANCIAL STATEMENTS

31 December 2017

KPMG

KPMG Limited
Chartered Accountants
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Independent Auditors' report

to the Members of

Gramexo Plc

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of parent company Gramexo Plc (the "Company"), which are presented on pages 11 to 33 and comprise the statement of financial position as at 31 December 2017, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of parent company Gramexo Plc as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time (the "Companies Law, Cap.113").

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 *"Auditors' responsibilities for the audit of the financial statements"* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants ("IESBA Code") and the ethical requirements in Cyprus that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of loan receivable from subsidiary
Refer to note 10 to the financial statements

The key audit matter

As at 31 December 2017, the Company has a loan receivable from its subsidiary Rustonka Development s.r.o. (the "Subsidiary") for which the Board of Directors has carried out an impairment assessment.

Management has estimated the recoverable amount of this loan based on estimated cash flows which took into consideration the valuations of the investment properties held by the Subsidiary, which was performed by internal valuation experts of the Subsidiary company.

We focused on this area due to the size of the carrying amount of the loan receivable from subsidiary Rustonka Development s.r.o. , which represents nearly 100% of the Company's total assets as at 31 December 2017 and because of the significant element of judgement and estimation involved in determining the recoverable amount of this loan.

How the matter was addressed in our audit

Our audit procedures included among others:

1) Assessment of the Subsidiary's plans and ability relating to the repayment of the loan. We assessed the appropriateness of management's plans for future repayment of the loan receivable, which included assessment of the loan repayment from future rental income, refinancing of credit facilities and proceeds from sale of investment property.

2) Assessment of the valuation of investment properties held by the Subsidiary:

- Assessment using independent valuation experts and an internal KPMG specialist, of the appropriateness of the valuation methodology, assumptions and estimates used by the management's internal expert, involved in measuring the fair value of the investment properties held by the subsidiary.
- Assessing the technical and mathematical accuracy of the valuation model used by the management's internal expert.
- Challenging key assumptions involved in the valuation of the investment properties, such as price per square meter and discount rates.

Going Concern

Refer to note 2 to the financial statements

The key audit matter

Even though the Company made a profit of CZK1.679.678 as at 31 December 2017, the Company's current liabilities exceeded its current assets by CZK1.631.435.

We focused on this area because this is a condition which affects the financial statements as a whole and relates to Management's assessment of the Company's ability to continue as a going concern which requires the use of significant judgements over future considerations.

How the matter was addressed in our audit

Our audit procedures included among others the following:

1) Assessment of management's plans to use existing and new credit facility arrangements for settling the Company's current liabilities;
2) Assessment of the Subsidiary's plans and ability to repay the loan receivable as described in our Key Audit Matter "Valuation of loan receivable from subsidiary";
3) Inspection of the rental agreement signed between the Subsidiary and Amazon Logistic Prague s.r.o. and assessment of future cash inflows from rental income;
4) Evaluation of the marketability of the investment properties held by the Company's subsidiaries and assessment of the likely cash inflows with regards to their future disposal;
5) Discussion with management for their future plans for settling the Group's liabilities as they fall due.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as required by the Companies Law, Cap.113.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

With regards to the Management report, our report is presented in the *"Report on other legal and regulatory requirements"* section.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS-EU and the requirements of the Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to either liquidate the Company or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors 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.

We have also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directos, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Report on other regulatory and legal requirements

Other regulatory requirements

Pursuant to the requirements of Article 10(2) of EU Regulation 537/2014 we provide the following information, which is required in addition to the requirements of ISAs.

Date of our appointment and period of engagement

We were first appointed auditors on 26 March 2018. Our first period of engagement is for the year ending 31 December 2017.

Provision of non-audit services ("NAS")

We have not provided any prohibited NAS referred to in Article 5 of EU Regulation 537/2014 as applied by Section 72 of the Auditors Law of 2017, L.53(I)2017, as amended from time to time ("Law L.53(I)/2017").

Consistency of the additional report to the Board of Directors

Our audit opinion is consistent with the additional report presented to the Board of Directors.

Other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2017, L.53(I)/2017, as amended from time to time ("Law L.53(I)/2017"), we report the following:

- In our opinion, the Management Report on pages 2 and 4, the preparation of which is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Companies Law, Cap 113, and the information given is consistent with the financial statements.
- In the light of the knowledge and understanding of the enterprise and its environment obtained in the course of the audit, we have not identified material misstatements in the Management Report.
- In our opinion, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Companies Law, Cap.113, and which is included as a specific section of the Management Report, have been prepared in accordance with the requirements of the Companies Law, Cap, 113, and is consistent with the financial statements.

KPMG

Other matters

Audit Committee

The Company has not established an audit committee as required by Article 78 of the Auditors Law 2017 (53(I)/2017).

Other

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of Law 53(I)/2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The financial statements of the parent Company as at and for the year ended 31 December 2016 were audited by another auditor who expressed an unqualified opinion on those statements on 2 May 2017.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2017.

The engagement partner on the audit resulting in this independent auditors' report is Marios G. Gregoriades CPA.

Marios G. Gregoriades CPA
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors
14 Esperidon Street
1087 Nicosia
Cyprus

5 June 2018

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	Note	**2017 CZK**	2016 CZK
Loan interest income	10	**57.199.097**	8.597.022
Bond interest expense	14	**(49.948.960)**	(7.200.678)
Net interest income		**7.250.137**	1.396.344
Administration expenses	6	**(1.690.092)**	(2.223.359)
Bond administration fees	6	**(670.153)**	(1.387.605)
Guarantee expenses	6	**(2.265.850)**	(2.265.850)
Other expenses	5	**(9.466)**	(9.468)
Operating profit / (loss)		**2.614.576**	(4.489.938)
Finance income		**133.093**	-
Finance costs		**(101.513)**	(18.711)
Net finance income/(cost)	7	**31.580**	(18.711)
Profit / (loss) before tax		**2.646.156**	(4.508.649)
Tax	8	**(966.478)**	(39.088)
Net profit / (loss) for the year		**1.679.678**	(4.547.737)
Other comprehensive income		**-**	-
Total comprehensive income / (expense) for the year		**1.679.678**	(4.547.737)

STATEMENT OF FINANCIAL POSITION
31 December 2017

	Note	2017 CZK	2016 CZK
ASSETS			
Non-current assets			
Investments in subsidiaries	9	**102.703**	102.703
Loans receivable	10	**968.936.119**	655.887.022
		969.038.822	655.989.725
Current assets			
Trade and other receivables	11	**423.480**	2.691.965
Cash and cash equivalents	12	**616.916**	2.947.700
		1.040.396	5.639.665
Total assets		**970.079.218**	661.629.390
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**702.094**	702.094
Retained earnings		**1.997.936**	318.258
Total equity		**2.700.030**	1.020.352
Non-current liabilities			
Borrowings	14	**964.707.357**	655.859.167
		964.707.357	655.859.167
Current liabilities			
Trade and other payables	15	**1.728.266**	4.078.553
Borrowings	14	**-**	631.971
Current tax liabilities	16	**943.565**	39.347
		2.671.831	4.749.871
Total liabilities		**967.379.188**	660.609.038
Total equity and liabilities		**970.079.218**	661.629.390

On 5 June 2018 the Board of Directors of Gramexo PLC authorised these financial statements for issue.

....
Ivana Tollarovicova
Director

....
Nicolas Italos
Director

The notes on pages 15 to 31 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Note	**Share capital CZK**	**Retained earnings CZK**	**Total CZK**
Balance at 1 January 2016		**45.520**	**4.865.995**	**4.911.515**
Transactions with owners				
Issue of share capital	13	656.574	-	656.574
Total transactions with owners		656.574	-	656.574
Comprehensive income				
Net loss for the year		-	(4.547.737)	(4.547.737)
Balance at 31 December 2016 / 1 January 2017		**702.094**	**318.258**	**1.020.352**
Comprehensive income				
Net profit for the year		-	1.679.678	1.679.678
Balance at 31 December 2017		**702.094**	**1.997.936**	**2.700.030**

The notes on pages 15 to 31 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
Year ended 31 December 2017

	Note	2017 CZK	2016 CZK
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**2.646.156**	(4.508.649)
Adjustments for:			
Interest income	10	**(57.199.097)**	(8.597.022)
Interest expense	7&14	**50.038.487**	7.211.780
Exchange difference on taxes, loans receivable and borrowings		**(107.755)**	(181)
		(4.622.209)	(5.894.072)
Changes in working capital:			
Decrease in trade and other receivables		**2.268.485**	2.266.264
(Decrease)/increase in trade and other payables		**(2.350.287)**	3.786.906
Cash (used in)/generated from operations		**(4.704.011)**	159.098
Tax paid		**(60.306)**	-
Net cash (used in)/generated from operating activities		**(4.764.317)**	159.098
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of investments in subsidiaries	9	**-**	(102.703)
Loans granted to subsidiary	10	**(255.850.000)**	(647.290.000)
Proceeds from disposal of investment in subsidiary		**-**	200.000
Net cash used in investing activities		**(255.850.000)**	(647.192.703)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	13	**-**	656.574
Repayments of borrowings		**-**	(199.993)
Proceeds from borrowings	14	**258.283.533**	649.479.532
Net cash generated from financing activities		**258.283.533**	649.936.113
Net (decrease)/increase in cash and cash equivalents		**(2.330.784)**	2.902.508
Cash and cash equivalents at beginning of the year		**2.947.700**	45.192
Cash and cash equivalents at end of the year	12	**616.916**	2.947.700

The notes on pages 15 to 31 form an integral part of these financial statements.

1. Incorporation and principal activities

Country of incorporation

Gramexo PLC (formerly Gramexo Limited) (the "Company") was incorporated in Cyprus on 14 May 2007 as a limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. The Company's Legal Entity Identifier (LEI) is 315700OJG3L3LCIQCF60. Its registered office is at Klimentos, 41-43, KLIMENTOS TOWER, 1st floor, Flat/Office 12, 1061 Nicosia, Cyprus.

Principal activities

The principal activities of the Company, which are unchanged from last year, are the provision of finance and the holding of investments.

2. Basis of preparation and significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

Going concern basis

Even though the Company has made a profit of €1.679.678 during the year ended 31 December 2017 as of that date the Company's current liabilities exceeded its current assets by €1.631.435. The Company's Financial Statements have been prepared on a going concern basis as management is of the opinion that:

a) Its current liabilities will be financed out of available existing and new credit facilities;
b) The bonds issued are expected to be settled from cash flows generated by the subsidiaries from future rental income, sale of investment property or from refinancing arrangements, or combination of the three.

Statement of compliance and basis of measurement

The Company has prepared these parent's separate financial statements for compliance with the requirements of the Cyprus Income Tax Law.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. The financial statements have been prepared under the historical cost convention.

The Company has also engaged to prepare consolidated financial statements in accordance with IFRSs for the Company and its subsidiaries (the "Group"). The consolidated financial statements can be obtained from Klimentos 41-43, Klimentos Tower, 1st floor, Flat/Office 12, P.C. 1061 Nicosia, Cyprus.

Users of these parent's separate financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2017 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group.

Adoption of new and revised IFRSs

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2017. This adoption did not have a material effect on the accounting policies of the Company.

Standards issued but not yet effective

Up to the date of approval of the financial statements, certain new standards, interpretations and amendments to existing standards have been published that are not yet effective for the current reporting period and which the Company has not early adopted. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

2. Basis of preparation and significant accounting policies (continued)

Adoption of new and revised IFRSs (continued)

(i) Issued by the IASB and adopted by the European Union
New standards
- *IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018).*
- *IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Consideration" (effective for annual periods beginning on or after 1 January 2018).*
- *Annual Improvements to IFRSs 2014–2016 Cycle (issued on 8 December 2016) (effective for annual periods beginning on or after 1 January 2018)*

(ii) Issued by the IASB but not yet adopted by the European Union
- *Annual Improvements to IFRSs 2015–2017 Cycle (issued in December 2017) (effective for annual periods beginning on or after 1 January 2019)*
- *Amendments to References to the Conceptual Framework in IFRS Standards (issued in March 2018, effective for annual periods beginning on or after 1 January 2020).*

New IFRICs
- *IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments" (effective for annual periods beginning on or after 1 January 2019).*

The above are expected to have no significant impact on the Company's financial statements when they become effective.

Subsidiary companies

Subsidiaries are entities controlled by the Company. Control exists where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified. Investments in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised through profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss recognised in prior years is reversed where appropriate if there has been a change in the estimates used to determine the recoverable amount.

Revenue recognition

Revenues earned by the Company are recognised on the following bases:

- **Income from investments in subsidiaries**

  Dividend from investments in securities is recognised when the right to receive payment is established. Withheld taxes are transferred to profit or loss.

  Profits or losses from the sale of investments in subsidiaries represent the difference between the net proceeds and the carrying amount of the investments sold and is transferred to profit or loss.

- **Interest income**

  Interest income is recognised on a time-proportion basis using the effective interest method.

Finance income

Interest income is recognised on a time-proportion basis using the effective method.

Finance costs

Interest expense and other borrowing costs are charged to profit or loss as incurred.

2. Basis of preparation and significant accounting policies (continued)

Foreign currency translation

(1) Functional and presentation currency
Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Czech Koruna (CZK), which is the Company's functional and presentation currency.

(2) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in profit or loss within “finance costs”. All other foreign exchange gains and losses are presented in profit or loss within “other gains/(losses) – net”.

Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Dividends

Dividend distribution to the Company's shareholders is recognised in the Company's financial statements in the year in which they are approved by the Company's shareholders. More specifically, interim dividends are recognised as a liability in the period in which these are authorised by the Board of Directors and in the case of final dividends, these are recognised in the period in which these are approved by the Company's shareholders.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed 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 carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Financial instruments

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

2. Basis of preparation and significant accounting policies (continued)

Financial instruments (continued)

Loans granted

Loans originated by the Company by providing money directly to the borrower are categorised as loans and are carried at amortised cost. This is defined as the fair value of cash consideration given to originate those loans as is determined by reference to market prices at origination date. All loans are recognised when cash is advanced to the borrower.

An allowance for loan impairment is established if there is objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

Financial assets

(1) Classification

The Company classifies its financial assets in the category of loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the reporting date. These are classified as non-current assets.

(2) Recognition and measurement

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For financial assets measured at amortised cost, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

2. Basis of preparation and significant accounting policies (continued)

Financial instruments (continued)

Borrowings (continued)

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extend there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

Borrowing costs are interest and other costs that the Company incurs in connection with the borrowing of funds, including interest on borrowings, amortisation of discounts or premium relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset, when it is probable that they will result in future economic benefits to the Company and the costs can be measured reliably.

Borrowings are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

2. Basis of preparation and significant accounting policies (continued)

Share capital

Ordinary shares are classified as equity.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Non-current liabilities

Non-current liabilities represent amounts that are due more than twelve months from the reporting date.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

3. Financial risk management

Financial risk factors
The Company is exposed to interest rate risk, credit risk and liquidity risk arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

3.1 Interest rate risk
Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings and loans receivable issued at variable rates expose the Company to cash flow interest rate risk. Borrowings and loans receivable issued at fixed rates expose the Company to fair value interest rate risk. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

At the reporting date the interest rate profile of interest- bearing financial instruments was:

	2017	2016
	CZK	CZK
Fixed rate instruments		
Financial assets	**903.140.000**	647.290.000
Financial liabilities	**(907.459.479)**	(649.279.363)
	(4.319.479)	(1.989.363)

Sensitivity analysis

Any increase/(decrease) in interest rates will have no effect on results and equity of the Company, because, all financial instruments have been issued at fixed rate.

3.2 Credit risk
Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has significant concentration of credit risk, in relation to the loan receivable from its subsidiary, which as at 31 December 2017 amounted to CZK968.936.119 (2016: CZK655.887.022) and which is unsecured.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

3. Financial risk management (continued)

3.2 Credit risk (continued)

	2017	2016
	CZK	CZK
Loans receivables from related parties	**968.936.119**	655.887.022
Cash at bank	**616.916**	2.947.700
	969.553.035	658.834.722

The table below shows an analysis of the Company's financial instruments by the credit rating in which they are held:

	2017	2016
	CZK	CZK
Without credit rating	**969.553.035**	658.834.722
	969.553.035	658.834.722

3.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

31 December 2017	Carrying amounts	Contractual cash flows	Demand and less than a month	1-12 months	1-2 years	2-5 years
	CZK	CZK	CZK	CZK	CZK	CZK
Bonds	962.050.452	1.179.000.000	-	-	-	1.179.000.000
Credit facilities	2.656.905	2.917.888	-	-	2.917.888	-
Trade and other payables	1.728.266	1.728.266	1.728.266	-	-	-
	966.435.623	**1.183.646.154**	**1.728.266**	**-**	**2.917.888**	**1.179.000.000**

31 December 2016	Carrying amounts	Contractual cash flows	Demand and less than a month	1-12 months	1-2 years	2-5 years
	CZK	CZK	CZK	CZK	CZK	CZK
Bonds	655.859.167	849.000.000	-	-	-	849.000.000
Credit facilities	631.971	663.636	-	663.636	-	-
Trade and other payables	4.078.553	4.078.553	4.078.553	-	-	-
	660.569.691	853.742.189	4.078.553	663.636	-	849.000.000

4. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

4. Critical accounting estimates and judgments (continued)

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

Judgments

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Income taxes**

  Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- **Impairment of loans receivable**

  The Company periodically evaluates the recoverability of loans receivable whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country in which the borrower operates, which may indicate that the carrying amount of the loan is not recoverable. If facts and circumstances indicate that loans receivable may be impaired, the estimated future discounted cash flows associated with these loans would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

- **Impairment of financial assets**

  The Company follows the guidance of IAS 36 and 39 in determining when an investment is other-than-temporarily impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

5. Other expenses

	2017	2016
	CZK	CZK
Annual company fee	**9.466**	9.468
	9.466	9.468

6. Expenses by nature

	2017	2016
	CZK	CZK
Director fees (Note 18.1)	**25.747**	10.820
Auditors' remuneration - current year	**592.656**	1.061.076
Auditors' remuneration - prior years	**3.949**	-
Guarantee expense	**2.265.850**	2.265.850
Bond administration fee	**877.219**	1.387.605
Bond administration fee - prior year	**(207.066)**	-
Administrative services	**712.643**	825.389
Accounting fees	**205.308**	192.923
Irrecoverable VAT	**298**	-
Professional fees	**121.570**	128.615
Professional fees - prior year	**26.945**	-
Other sundry expenses	**976**	4.536
Total expenses	**4.626.095**	5.876.814

7. Finance income / cost

	2017	2016
	CZK	CZK
Net foreign exchange profit	**133.093**	-
Finance income	**133.093**	-
Net foreign exchange losses	**-**	(6.434)
Loan interest expense (Note 14)	**(89.527)**	(11.097)
Other interest expense	**(10.609)**	-
Sundry finance expenses	**(1.377)**	(1.180)
Finance costs	**(101.513)**	(18.711)
Net finance income / (cost)	**31.580**	(18.711)

8. Tax

	2017	2016
	CZK	CZK
Corporation tax - current year	**943.321**	39.088
Corporation tax - prior years	**23.157**	-
Charge for the year	**966.478**	39.088

The tax on the Company's profit before tax differs from theoretical amount that would arise using the applicable tax rates as follows:

	2017	2016
	CZK	CZK
Profit/(loss) before tax	**2.646.156**	(4.508.649)
Tax calculated at the applicable tax rates	**330.770**	(563.581)
Tax effect of expenses not deductible for tax purposes	**543.432**	599.116
Tax effect of allowances and income not subject to tax	**(16.637)**	-
10% additional charge	**85.756**	3.553
Prior year tax	**23.157**	-
Tax charge	**966.478**	39.088

The corporation tax rate is 12,5%.

8. Tax (continued)

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

9. Investments in subsidiaries

	2017 CZK	2016 CZK
Balance at 1 January	**102.703**	200.000
Additions	**-**	102.703
Disposals	**-**	(200.000)
Balance at 31 December	**102.703**	102.703

The details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	2017 Holding %	2016 Holding %	2017 CZK	2016 CZK
Rustonka Development s.r.o.	Czech Republic	Real Estate	100	100	**2.703**	2.703
Rustonka Development II s.r.o.	Czech Republic	Real Estate	100	100	**100.000**	100.000
					102.703	102.703

On 10 June 2016, the Company acquired from a related party the whole share capital of Rustonka Development s.r.o., a company incorporated in Czech Republic which carries out the construction and development of a business centre in Czech Republic for a consideration of CZK2.703.

On 10 November 2016 a new subsidiary was incorporated namely Rustonka Development II s.r.o. which as at 31 December 2016 remained dormant. The Company contributed in the share capital of the newly formed subsidiary the amount of CZK100.000.

On 28 April 2016, the Company disposed to an unrelated party the subsidiary PROSEK COURT s.r.o., for a consideration of CZK200.000. The disposal had no impact in the profit and loss of the Company.

In 2018, the shares in Rustonka Development s.r.o. are pledged to UniCredit Bank Czech Republic and Slovakia a.s., and the shares in Rustonka Development II s.r.o. are pledged to Postova banka a.s. (note 20).

10. Loans receivable

	2017 CZK	2016 CZK
Credit facility to subsidiary (Note 18.3)	**903.140.000**	647.290.000
Credit facility to subsidiary - accrued interest (Note 18.3)	**65.796.119**	8.597.022
	968.936.119	655.887.022

On 12 September 2016 an agreement was signed with the subsidiary undertaking Rustonka Development s.r.o. under which Gramexo PLC agreed to provide financial assistance to the subsidiary, in the form of a loan, up to the amount of CZK1.100.000.000 with maturity date of 30 August 2021. The loan bears interest at the fixed rate of 6.52% per annum and it is unsecured. On various dates during the current year the Company granted additional loan facility totalling CZK255.850.000 under this facility. As at the year ended 31 December 2017, the amount of loan principal granted was CZK903.140.000. Both the capital and the interest are repayable on 31 August 2021. The interest income for the current year amounted to CZK57.199.097 (2016: CZK8.597.022).

10. Loans receivable (continued)

The exposure of the Company to credit risk in relation to loans receivable is reported in note 3 of the financial statements.

The fair values of non-current receivables approximate to their carrying amounts as presented above.

The effective interest rates on receivables (current and non-current) were as follows:

	2017	2016
Loans receivable	**6,52%**	6,52%

11. Trade and other receivables

	2017 CZK	2016 CZK
Deposits and prepayments	**-**	315
Deferred expenses (1)	**423.480**	2.691.650
	423.480	2.691.965

(1) Deferred expenses include an amount of CZK415.923 (2016: CZK2.681.773) which is related to guarantee fees. These fees are resulting from a guarantee declaration agreement issued by the related company, J&T Real Estate a.s. (as the guarantor) in favour of the buyer of the Company's investment in Development Pobrezni s.r.o. In the event that in the future, Gramexo PLC as the seller would not be able to meet its obligations arising from the agreement on transfer of shares, if any, the guarantor would settle those obligations on its behalf. The guarantee declaration matures on 3 March 2018, and the relevant costs are amortised over a period of three years.

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in note 3 of the financial statements.

12. Cash and cash equivalents

Cash balances are analysed as follows:

	2017 CZK	2016 CZK
Cash at bank	**616.916**	2.947.700
	616.916	2.947.700

Cash and cash equivalents by currency:

	2017 CZK	2016 CZK
Czech koruna	**313.498**	2.356.629
Euro	**303.418**	591.071
	616.916	2.947.700

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 3 of the financial statements.

13. Share capital

	2017 Number of shares	2017 EUR	2017 CZK	2016 Number of shares	2016 EUR	2016 CZK
Authorised						
Ordinary shares of €1,71 each	**15.205**	**26.000**		15.205	26.000	
Issued and fully paid						
Balance at 1 January	**15.205**	**26.000**	**702.094**	1.000	1.710	45.520
Issue of shares	**-**	**-**	**-**	14.205	24.290	656.574
Balance at 31 December	**15.205**	**26.000**	**702.094**	15.205	26.000	702.094

On 5 May 2016, through a shareholder's resolution, the Company's authorised share capital was increased from 1.000 ordinary shares of €1,71 each to 15.205 ordinary shares of €1,71 each. On the same day, the Company issued additional 14.205 shares of €1,71 each at par.

14. Borrowings

	2017 CZK	2016 CZK
Current borrowings		
Credit facilities (1)	**-**	620.874
Credit facilities - accrued interest	**-**	11.097
	-	631.971
Non-current borrowings		
Credit facilities (1)	**2.558.665**	-
Credit facilities - accrued interest	**98.240**	-
Bonds - capital amount (2)	**904.900.814**	648.658.489
Bonds - accrued interest	**57.149.638**	7.200.678
	964.707.357	655.859.167
Total	**964.707.357**	656.491.138

Maturity of non-current borrowings:

	2017 CZK	2016 CZK
Between two and five years	**964.707.357**	655.859.167

(1) During the year 2016, an unsecured credit facility for up to EUR35.000, was received from J&T Real Estate Private Equity B.V., carrying interest at the fixed rate of 5.10% per annum and repayable by 31 December 2017. During the current year, the loan facility limit was increased to EUR200.000 and the maturity date was extended to 31 December 2019. The total interest expense for the year amounted to CZK89.527 (2016: CZK11.097).

14. Borrowings (continued)

(2) During the year 2016, Gramexo PLC (the issuer) entered into an agreement called 'Mandate Agreement on Provision of the Issue of Certificate' with J&T IB and Capital Markets a.s. and a separate agreement with J&T Banka a.s. for the administration of the issued certificates. The issuer decided to issue unsecured and unsubordinated certificates in registered form, as bearer securities (bonds), in the total anticipated aggregate principal amount of CZK1.395.000.000, in the expected quantity of 46,500 certificates with the expected nominal value of each certificate amounting to CZK30.000, at initial issue price in the amount of CZK23.228 (77,43%), due in 2021. On various dates during the current year, the Company issued 11.000 certificates for the total issue price of CZK260.808.986 (CZK23.710, 79,03% issue price). The total transaction costs of CZK4.566.661 relating to this issue were capitalised in the capital amount of the Bond. The total interest expense for the year amounted to CZK49.948.960 (2016: CZK7.200.678). As at the year ended 31 December 2017, the issued certificates amounted to 39.300 (2016: 28.300 certificates) with a total aggregate principal amount of CZK1.179.000. The issue offer period ended on 12 September 2017. The certificates are listed in Prague stock exchange market, with ISIN of CZ0003514861.

The weighted average effective interest rates at the reporting date were as follows:

	2017	2016
Bonds	**5,64%**	5,64%
Credit facilities	**5,10%**	5,10%

The Company borrowings are denominated in the following currencies:

	2017	2016
	CZK	CZK
CZK	**962.050.452**	655.859.167
Euro	**2.656.905**	631.971
	964.707.357	656.491.138

15. Trade and other payables

	2017	2016
	CZK	CZK
Trade payables	**-**	1.737.496
VAT	**4.853**	766.619
Accruals	**1.214.334**	1.271.181
Other creditors	**509.079**	303.257
	1.728.266	4.078.553

The Company trade and other payables are denominated in the following currencies:

	2017	2016
	CZK	CZK
Czech koruna	**408.911**	1.737.496
Euro	**1.319.355**	2.341.057
	1.728.266	4.078.553

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

16. Current tax liabilities

	2017	2016
	CZK	CZK
Corporation tax	**943.321**	39.088
Special contribution for defence	**244**	259
	943.565	39.347

17. Operating Environment of the Company

17.1 Cyprus

The Cyprus economy has been adversely affected during the last few years by the economic crisis. The negative effects have to some extent been resolved, following the negotiations and the relevant agreements reached with the European Commission, the European Central Bank and the International Monetary Fund (IMF) for financial assistance which was dependent on the formulation and the successful implementation of an Economic Adjustment Program. The agreements also resulted in the restructuring of the two largest (systemic) banks in Cyprus through a “bail in”.

The Cyprus Government has successfully completed earlier than anticipated the Economic Adjustments Program and exited the IMF program on 7 March 2016, after having recovered in the international markets and having only used €7,25 billion of the total €10 billion earmarked in the financial bailout. Under the new Euro area rules, Cyprus will continue to be under surveillance by its lenders with bi-annual post-program visits until it repays 75% of the economic assistance received.

Although there are signs of improvement, especially in the macroeconomic environment of the country’s economy including growth in GDP and reducing unemployment rates, significant challenges remain that could affect the estimates of the Company's cash flows and its assessment of impairment of financial and non-financial assets.

17.2 Czech Republic

During 2017, the Czech economy expanded by 0.2% over the Q3, a touch lower than the initial 0.3% estimate. Private consumption remained strong, expanding by 0.9% on the quarter, while fixed investment rebounded 2.5% after sharp falls in Q1 and Q2; together, these two components added 0.7% q/q to growth in Q3. Less positively, however, exports contracted by 1.9%, and net exports registered a q/q fall. Overall, although the figures slightly disappointed, they were still broadly in line with our estimate, and our 2016 GDP growth forecast remains unchanged at 2.4%. This implies a slight re-acceleration of growth in Q4.

Despite temporarily weak fixed investment due to the cyclicality of EU funds, the overall macro picture remains solid. Based on an upgrade to our fixed investment forecast to 2.5% in 2017, we have increased our growth projection for next year to 2.4% from 2.1% before. The main upside risks to our forecast are an even stronger investment rebound and resilient private consumption (whose growth we forecase to decelerate by 0.2pp in 2017). The main downside risks are a European economy downturn and a stronger-than-expected hit from koruna appreciation, as the CNB abandons the euro peg.

Inflation in November hit 1.5% y/y, surprising on the upside due to a stronger-than-expected rebound in food prices (1.6% y/y). Combined with domestic demand resilience and a very tight labour market, strong inflation prints in Q4 thus far have increased speculation about the central bank possibly exiting from the CZK27/€1 currency floor earlier than its mid-2017 guidance and our late 2017 call.

The UK's 'Brexit' vote presents some downside risk to both our H2 and medium-term forecasts. The impact via indirect linkages - including a slight hit to growth in the Eurozone as well as a deterioration in sentiment that affects credit growth and FDI - will be more important than the direct exposure, as trade and investment links are fairly limited.

17. Operating Environment of the Company (continued)

17.2 Czech Republic (continued)

In general, the Czech Republic has relatively low overall country risk thanks to its strong macroeconomic fundamentals, solid monetary policy, sound banking sector, good quality infrastructure, and strong judicial system. Risks stem mainly from unstable political institutions, which have held back reform progress, persistent corruption and an undiversified export structure that is highly dependent on automotive products. Moreover, the ruling coalition is ideologically diverse and the government is deeply divided. Therefore, the risk of yet another government collapse or policy deadlock persists.

These challenges, as well as the anemic economic growth and/or economic recession in many Eurozone countries and other business partners, such as Russia and Ukraine, could affect or have affected:

(1) the ability of the Company to obtain new borrowings or re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions,
(2) the ability of the Company's trade and other debtors to repay the amounts due to the Company,
(3) the cash flow forecasts of the Company's management in relation to the impairment assessment for financial and non-financial assets.

The Company's management has assessed whether any impairment allowances are deemed necessary for the Company's financial assets carried at amortized cost by considering the economic situation and outlook at the end of the reporting period.

The Company's management is unable to predict all developments which could have an impact on the Cyprus & Czech Republic economy and consequently, what effect, if any, they could have on the future financial performance, cash flows and financial position of the Company.

On the basis of the evaluation performed the Company's management has concluded that no provisions or impairment charges are necessary.

The Company's management believes that it is taking all the necessary measures to maintain the viability of the Company and the development of its business in the current business and economic environment and that the Company will be able to continue operating as a going concern.

18. Related party balances and transactions

As from 31 October 2017 and following the relevant share purchase agreements, the immediate parent entity of the Company is J&T Real Estate Holding Limited, with registered office located at Klimentos, 41-43, Klimentos Tower, 1st floor, flat/office 12, 1061, Nicosia, Cyprus. The financial results of the Company are included in the consolidated financial statements of J&T Real Estate Holding Ltd which can be obtained from its registered office address. There is no single ultimate controlling party since the ordinary shares in J&T Real Estate Holding Ltd are held by 6 individuals who are resident in Slovakia. The principal activity of the parent entity is the holding of investments. As at 31 December 2016, the ultimate beneficial owner was Mr. Pavel Bagin, Czech Republic resident.

The related party balances and transactions are as follows:

18.1 Directors' remuneration

The remuneration of Directors and other members of key management was as follows:

	2017	2016
	CZK	CZK
Directors' fees	**25.747**	10.820
	25.747	10.820

18. Related party balances and transactions (continued)

18.2 Interest income and expense

	2017 CZK	2016 CZK
Loan interest income from subsidiary (Note 10)	57.199.097	8.597.022
Loan interest expense from related company (Note 14)	(21.161)	-

18.3 Credit facility to subsidiary (Note 10)

	2017 CZK	2016 CZK
Capital amount	903.140.000	647.290.000
Accrued interest	65.796.119	8.597.022
	968.936.119	655.887.022

For details refer to Note 10.

18.4 Borrowings from related company (Note 14)

	2017 CZK	2016 CZK
Capital amount	2.558.665	-
Accrued interest	98.240	-
	2.656.905	-

For details refer to Note 14.

18.5 Deferred expenses from related company (Note 11)

	2017 CZK	2016 CZK
Deferred expenses	423.480	-
	423.480	-

For details refer to Note 11.

19. Commitments

As explained in note 10 of the financial statements, Gramexo Plc has entered into an agreement for the provision of finance to its subsidiary for the amount of CZK1.100.000.000 until 30 August 2021. As at 31 December 2017, an amount of CZK196.860.000 had not been requested by the borrower.

The Company is committed to J&T Real Estate CZ a.s. to pay the amount of CZK28.000.000 in case that the subsidiary company Rustonka Development s.r.o. is sold above the amount of CZK242.100.000 before 31 December 2021.

20. Events after the reporting period

On 5 February 2018 the Company entered into an ownership interest pledge contract with Postova banka a.s., whereby the Company's shares in the subsidiary company Rustonka Development II s.r.o. were fully pledged in favour of Postova banka a.s. in relation to loan facilities provided by the latter to the subsidiary company for EUR43.060.000 and CZK3.000.000.

On 4 April 2018 the Company entered into a corporate share pledge agreement with UniCredit Bank Czech Republic and Slovakia a.s., whereby the Company's shares in the subsidiary company Rustonka Development s.r.o. were fully pledged in favour of UniCredit Bank Czech Republic and Slovakia a.s. in relation to loan facilities provided by the latter to the subsidiary company.

On 4 April 2018 the Company entered into a subordination agreement with Rustonka Development s.r.o. and UniCredit Bank Czech Republic and Slovakia a.s. whereby it is agreed that the Company’s loan receivable from its subsidiary is fully subordinated to UniCredit Bank Czech Republic and Slovakia a.s. who will have priority of repayment as Lender of Rustonka Development s.r.o..

On 4 April 2018 the Company entered into a cost overrun contribution agreement with Rustonka Development s.r.o. and UniCredit Bank Czech Republic and Slovakia a.s. whereby it is agreed that in case Rustonka Development s.r.o. is unable to repay UniCredit Bank Czech Republic and Slovakia a.s. (Lender), then Gramexo PLC will ensure to provide the Lender with funds.

On 15 May 2018, the Company incorporated in Czech Republic a wholly owned subsidiary namely Rustonka Court s.r.o..