

GRAMEXO PLC

REPORT AND CONDENSED INTERIM UNAUDITED CONSOLIDATED FINANCIAL
STATEMENTS prepared in accordance with IAS 34 Interim Financial Reporting

Period ended 30 June 2018

**REPORT AND CONDENSED INTERIM UNAUDITED CONSOLIDATED
FINANCIAL STATEMENTS**

Period ended 30 June 2018

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BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Ivana Tollarovicova Nicolas Italos
Group Secretary:	PA.TY. Secretarial Limited
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
Registration number:	HE199326
Bankers:	J&T Banka, a.s. Prague 8 Postal Code 186 00 Czech Republic

MANAGEMENT REPORT

The Board of Directors presents its report and condensed interim unaudited consolidated financial statements of the holding company GRAMEXO PLC („Company”) and its subsidiaries („together with the Company, the Group”) for the period from 1 January 2018 to 30 June 2018.

Incorporation

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.

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 development in real estate area.

Changes in group structure

During the year ended 31 December 2017, the Company and subsequently the Group became a part of JTRE Holding. JTRE Holding is a group of various Slovak, Czech and Cypriot companies, operating on the Slovak and Czech real estate market. On top of the JTRE Holding is a company J&T Real Estate Holding Limited („JTREHL”), which is a cyprus-based holding company, owned by 6 non resident individuals. During the period ended 30 June 2018 the Company incorporated a new subsidiary Rustonka Court s.r.o., which currently remains dormant.

Review of current position, future developments and performance of the Group's business

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

The Group concentrates its activities, in particular, on the Czech real estate market. Due to ownership of Rustonka Development s.r.o., Rustonka Development II s.r.o. and incorporation of Rustonka Court s.r.o., the Group operates mainly on the administration and multifunctional buildings market, specifically in the area of Prague 8 - Karlín.

Furthermore, the company GRAMEXO PLC launched unsecured and unsubordinated zero-coupon certificates in registered form, in total nominal value of CZK 1,179,000,000 (in words: one billion one hundred and seventy nine million Czech crowns) in the quantity of 39,300 certificates as at 30 June 2018.

The total anticipated aggregate principal is amount of CZK 1,395,000,000 (in words: one billion three hundred ninety-five million Czech crowns), in the expected quantity of 46,500 certificates. Nominal value of each certificate is amounting to CZK 30,000 (in words: thirty thousand Czech crowns), at the initial issue price in the amount of CZK 23,228 (77.426%) at the expected issue date of 13 September 2016, due in 2021.

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

Estimated costs connected with the issuance of the certificates will be approximately CZK 20,000,000 and net proceeds are expected to be approximately CZK 1,060,000,000.

During the period ended 30 June 2018, the Group incurred a loss of CZK 32,156,506 (during the period ended 30 June 2017, the Group incurred a loss of CZK 33,821,618).

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

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group are disclosed in notes 3 and 5 of the consolidated financial statements.

Existence of branches

The Group does not maintain any branches.

MANAGEMENT REPORT

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 5 of the financial statements.

Significant risks are as follows:

Credit risk

Credit risk is a risk that the Group will not be able to repay the Certificates. The major credit risk borne by the holding company will come from a loan provided to Rustonka Development s.r.o. and a corresponding inability of Rustonka Development s.r.o. to repay the provided financing. The credit risk is associated with Rustonka Development s.r.o., or its other future subsidiaries.

Liquidity risk

Liquidity risk is a risk caused by lack of resources that should be available at every moment to secure settlement of monetary obligations as soon as they become mature. The Group monitors liquidity risk closely and matches the maturity of assets and liabilities.

Market 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.

Currency risk

Currency risk is a risk that the fair value or future cash flow will fluctuate because of change in exchange rates. The holding company can be exposed to currency risk, for example, proceeds from rent of Rustonka Development s.r.o. that determine at the same time fair value of real estate will be denominated in EUR while instalments of loan provided to Rustonka Development s.r.o. by the holding company will be in Czech crowns. The Group's management monitors the exchange rate fluctuations on a continuous basis.

Interest rate risk

Interest rate risk is a risk that future cash flow will fluctuate because of changes in market interest rates. Since the holding company's certificates and its lending to Rustonka Development s.r.o. are issued at a fixed rate, the holding company naturally mitigates this risk.

Price risk

Through the loan, provided to Rustonka Development s.r.o., the holding company will face the price risk of adverse development in the value of real estate (including the risk of lease or possibly sale thereof).

Results

The Group's results for the period are set out on page 5.

Dividends

The Company did not have any distributable profits as at 31 December 2017, thus the Board of Directors cannot recommend the payment of a dividend.

Research and development activities

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

Comparison with corresponding period of previous year

The Group incurred a net loss of CZK 32,156,506 during the first half of 2018 and its current liabilities exceeded its current assets by CZK 119,068,461. Total equity of the Group as at 30 June 2018 was CZK 206,815,821.

During the first half of 2017, the Group incurred a net loss of CZK 33,821,618 and its current liabilities exceeded its current assets by CZK 61,962,593. Total equity of the Group as at 30 June 2017 was CZK (127,519,969).

MANAGEMENT REPORT

In the first half of 2017, the Company engaged, similarly as in the first half of 2018, in investments and provision of finance.

Treasury shares

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

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. The Board of Directors, as at the date of this report, has not adopted the relevant Corporate Governance Code. However, it is the intention of the Board to partially implement the code in the forthcoming years.

Board of Directors

The members of the Group's Board of Directors as at 30 June 2018 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.

Operating Environment of the Group

There is no significant change in the operating environment of the Group for the period ended 30 June 2018.

Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements, other than as described in note 19 to the financial statements.

Related party balances and transactions

Disclosed in note 17 of the consolidated financial statements.

We declare that the report and condensed interim unaudited consolidated financial statements gives to our best knowledge, true and fair view of financial situation, business activities and economic results for the past accounting period and on prospects of future development of financial situation, business activities and trading result.

By order of the Board of Directors,

Ivana Tollarovicova
Director

Nicosia, 7 September 2018

Nicolas Italos
Director

Nicosia, 7 September 2018

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 June 2018

<i>In CZK</i>		Period ended 30 June 2018	Period ended 30 June 2017
	Note		
Rental income	16	22,171,816	-
Other operating income		95,938	16,004
Fair value gains on investment property	9	13,444,836	-
Amortisation of intangible assets	6	(12,432)	(12,432)
Administration expenses	6	(21,920,535)	(7,398,244)
Operating profit/(loss)		13,779,623	(7,394,672)
Finance income	7	30	1,422,818
Finance costs	7	(30,332,563)	(27,849,764)
Loss before tax		(16,552,910)	(33,821,618)
Tax	8	(15,603,596)	-
Net loss for the period		(32,156,506)	(33,821,618)
Other comprehensive income		-	-
Total comprehensive expense for the period		(32,156,506)	(33,821,618)

The notes on pages 9 to 25 form an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

<i>In CZK</i>		30 June 2018	31 December 2017
	Note		
ASSETS			
Non-current assets			
Investment properties	9	2,337,750,429	1,950,759,000
Intangible assets		91,134	108,000
Trade and other receivables	10	9,848,596	4,217,000
		2,347,690,159	1,955,084,000
Current assets			
Trade and other receivables	10	47,212,882	14,284,480
Cash and cash equivalents	11	34,777,883	2,444,916
		81,990,765	16,729,396
Total assets		2,429,680,924	1,971,813,396
EQUITY AND LIABILITIES			
Equity			
Share capital		702,094	702,094
Other reserves		(56,317,703)	(56,317,703)
Retained earnings		262,431,430	294,587,936
Total equity		206,815,821	238,972,327
Non-current liabilities			
Borrowings	12	1,932,173,678	1,497,511,357
Trade and other payables	14	-	1,327,000
Deferred tax liability	13	89,632,199	74,517,000
		2,021,805,877	1,573,355,357
Current liabilities			
Trade and other payables	14	198,309,510	124,689,147
Borrowings	12	1,300,081	33,853,000
Current tax liabilities		1,449,635	943,565
		201,059,226	159,485,712
Total liabilities		2,222,865,103	1,732,841,069
Total equity and liabilities		2,429,680,924	1,971,813,396

The notes on pages 9 to 25 form an integral part of these interim consolidated financial statements.

On 7 September 2018 the Board of Directors of GRAMEXO PLC authorised these interim consolidated financial statements for issue.

Ivana Tollarovicova
Director

Nicolas Italos
Director

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 June 2018

<i>In CZK</i>	Share capital	Other reserves	Accumulated losses	Total
Balance at 1 January 2017	702,094	(56,317,703)	(38,082,742)	(93,698,351)
Comprehensive expense				
Net loss for the period	-	-	(33,821,618)	(33,821,618)
Balance at 30 June 2017	702,094	(56,317,703)	(71,904,360)	(127,519,969)

<i>In CZK</i>	Share capital	Other reserves	Retained earnings	Total
Balance at 1 January 2018	702,094	(56,317,703)	294,587,936	238,972,327
Comprehensive expense				
Net loss for the period	-	-	(32,156,506)	(32,156,506)
Balance at 30 June 2018	702,094	(56,317,703)	262,431,430	206,815,821

The notes on pages 9 to 25 form an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Period ended 30 June 2018

In CZK

		Period ended 30 June 2018	Period ended 30 June 2017
	Note		
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) before tax from continuing operations		(16,552,910)	(33,821,618)
Adjustments for:			
Fair value (gains) on investment property	9	(13,444,836)	-
Amortisation of intangible assets	6	12,432	12,432
Unrealised exchange difference, net		19,623,239	(1,400,776)
Interest income	7	(30)	-
Interest expense	7	12,241,002	27,848,029
Operating profit/(loss) before changing of working capital		1,878,897	(7,361,933)
Changes in working capital:			
(Increase)/decrease in trade and other receivables		(38,559,968)	1,647,508
Increase/(decrease) in trade and other payables		72,293,363	(56,064,292)
Cash flows generated from/(used in) operations		35,612,292	(61,778,717)
Income taxes paid		17,732	-
Net cash generated from/(used in) operating activities		35,630,024	(61,778,717)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of investment property	9	(338,836,032)	(202,351,072)
Proceeds from disposal of intangible assets		4,434	-
Net cash used in investing activities		(338,831,598)	(202,351,072)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings	12	(717,134,352)	(255,850,000)
Proceeds from borrowings		1,096,974,873	256,902,095
Cash inflows from bonds		-	260,808,986
Interest paid		(42,929,341)	-
Net cash generated from financing activities		336,911,180	261,861,081
Net increase/(decrease) in cash and cash equivalents		33,709,606	(2,268,708)
Cash and cash equivalents at beginning of the period		2,444,916	3,724,700
Effect of exchange rate fluctuations on cash held		(1,376,639)	-
Cash and cash equivalents at the end of the period	11	34,777,883	1,455,992

The notes on pages 9 to 25 form an integral part of these interim consolidated financial statements.

GRAMEXO PLC

NOTES TO THE CONDENSED INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Period ended 30 June 2018

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.

Scope of consolidation

The consolidated financial statements of the Company as at and for the period ended 30 June 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

Principal activities and nature of operations of the Group

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

2. Basis of preparation and significant accounting policies

2.1 Statement of compliance

These condensed interim unaudited consolidated financial statements, as at and for the period ended 30 June 2018, have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2017. They do not include all of the information required for a complete set of IFRS financial statements.

2.2 Unaudited financial statements

These condensed interim consolidated financial statements, as at and for the period ended 30 June 2018, have not been audited by the external auditors of the Company.

2.3 Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of an investment property.

The consolidated financial statements have been prepared on a going concern basis.

Except as described below, significant accounting policies applied in the preparation of the consolidated financial statements as at and for the period ended 30 June 2018 are consistent with those applied in the consolidated financial statements as at and for the year ended 31 December 2017.

The changes in significant accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

2.4 Adoption of new and revised IFRSs

During the period from 1 January 2018 to 30 June 2018 the Group adopted all the new and revised International Financial Reporting Standards (IFRS), amendments to standards and interpretations adopted by the EU that are relevant to its operations and are effective for accounting periods beginning on 1 January 2018.

2. Basis of preparation and significant accounting policies (continued)**2.4 Adoption of new and revised IFRSs (continued)**

In May 2014 the IASB issued **IFRS 15 Revenue from Contracts with Customers**, which is effective for the periods beginning on or after 1 January 2018, early application is permitted. IFRS 15 provides a framework for revenue recognition and is applied to all contracts with customers. However, interest income and income from fees that are part of financial instruments and leases will continue to be outside the scope of IFRS 15 and is governed by other relevant standards (eg IFRS 9 and IFRS 16 Leasing).

The adoption of IFRS 15 did not have any impact on the financial statements of the Group. The Group has only revenues from rental (rental income) and these are out of the scope of IFRS 15.

In July 2014 the IASB issued the final version of **IFRS 9 Financial Instruments** that replaces IAS 39, Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 presents all three aspects of the accounting for financial instrument project: recognition and measurement, value adjustments (impairment) and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, early application is permitted. Regarding hedge accounting, retrospective application is required, but the restatement of prior periods is not required.

The adoption of IFRS 9, including the new impairment requirements, did not have a material impact on the Group's financial statements. Financial assets classified under IAS 39 as loans and receivables are classified as amortized cost in accordance with IFRS 9 (see also 2.5).

Amendments to **IAS 40 Investment Property**, effective for reporting period beginning on 1 January 2018 or later, clarify when a company should transfer a property asset to, or from, investment property. A transfer is made when and only when there is an actual change in use – i.e. an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer.

The adoption of IAS 40 did not have any effect on the Group's financial statements.

The interpretation of **IFRIC 22 Foreign Currency Transactions and Advance Consideration** provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance and clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. If several payments are made or received in advance, the entity has to select a transaction date for each payment made or received in advance. An entity shall apply the Interpretation for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

Due to the fact that current practice is in line with the Interpretation, the adoption of this Interpretation did not have any impact on the Group's financial statements.

The Group did not use any other standards in the wording adopted by the EU in advance, for which their application was not mandatory at the date of the preparation of the financial statements.

Revenues

Revenue of the Group consist of rental income. Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Rental income is reduced by the aggregated cost of incentives (e.g. rent-free periods or contributions by the lessor to the lessee's relocation costs), recognised over the lease term on a straight-line basis.

Finance costs

Interest expenses on borrowings are recognised in profit or loss. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset. Such borrowing costs are capitalised as part of the cost of the asset when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest rate method.

Foreign currency gains and losses are reported on a net basis.

2. Basis of preparation and significant accounting policies (continued)**2.5 Changes in significant accounting policies****Property operating expenses**

Property operating expenses comprise of costs on fit-outs made for current or future tenants which are not increasing the future economic benefits which will flow to the Group; repair and maintenance costs, energy and utilities, rent expense, administrative costs related to investment property and other costs related to operation of the buildings.

Property operating expenses are recognised in profit or loss as incurred.

Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Classification of financial assets

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; fair value through other comprehensive income (FVOCI) – equity investment; or fair value through profit or loss (FVTPL).

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

The financial assets at amortised cost of the Group consist of trade receivables, other receivables and cash and cash equivalents.

Measurement of financial assets

Financial asset at amortised cost (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus transaction costs that are directly attributable to its acquisition.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

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NOTES TO THE CONDENSED INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Period ended 30 June 2018

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

2.5 Changes in significant accounting policies (continued)

Financial Instruments (continued)

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECLs.

The Group has elected to measure loss allowances for trade receivables and other receivables at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

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NOTES TO THE CONDENSED INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Period ended 30 June 2018

3. Critical accounting estimates and judgements

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 judgements 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.

In preparing consolidated financial statements as at and for the period ended 30 June 2018, the significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2017.

4. Seasonality and cyclicity of interim operations

The Group is not subject to any significant seasonal influences.

5. 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:

5.1 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 issued at variable rates expose the Group to cash flow interest rate risk. Borrowings 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 is as follows:

<i>In CZK</i>	30 June 2018	31 december 2017
<i>Fixed rate instruments</i>		
Financial liabilities	(908,914,161)	(1,446,013,479)
<i>Variable rate instruments</i>		
Financial liabilities	(935,907,964)	-

GRAMEXO PLC**NOTES TO THE CONDENSED INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

Period ended 30 June 2018

5. Financial risk management (continued)**5.1 Interest rate risk (continued)**Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

In CZK

	Profit or loss	
	100 bp increase	100 bp decrease
30 June 2018		
Variable rate instruments cash flow sensitivity (net)	(9,359,080)	9,359,080
31 December 2017		
Variable rate instruments cash flow sensitivity (net)	-	-

5.2 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.

30 June 2018

<i>In CZK</i>	Carrying amounts	Contractual cash flows	Demand and less than three months	3-12 months	1-5 years
Bonds	988,601,381	1,179,000,000	-	-	1,179,000,000
Credit facilities	944,872,378	1,002,493,845	5,173,448	11,924,747	985,395,650
Trade and other payables	183,118,295	183,118,295	129,661,893	53,456,402	-
	2,116,592,054	2,364,612,140	134,835,341	65,381,149	2,164,395,650

31 December 2017

<i>In CZK</i>	Carrying amounts	Contractual cash flows	Demand and less than three months	3-12 months	1-5 years
Bonds	962,050,452	1,179,000,000	-	-	1,179,000,000
Credit facilities	569,313,905	652,355,205	-	34,917,464	617,437,741
Trade and other payables	124,653,147	124,653,147	124,653,147	-	-
	1,656,017,504	1,956,008,352	124,653,147	34,917,464	1,796,437,741

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NOTES TO THE CONDENSED INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Period ended 30 June 2018

5. Financial risk management (continued)

5.2 Liquidity risk (continued)

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.

5.3 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.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

<i>In CZK</i>	30 June 2018 denominated in EUR	31 December 2017 denominated in EUR
Cash and cash equivalents	15,733,153	1,726,617
Trade and other payables	10,426,130	2,729,355
Borrowings	944,872,378	45,904,905

5.4 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 are unsecured.

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

<i>In CZK</i>	30 June 2018	31 December 2017
Trade and other receivables	22,076,621	974,405
Cash at bank	34,758,965	2,439,916
	56,835,586	3,414,321

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

<i>In CZK</i>	30 June 2018	31 December 2017
Without credit rating	56,835,586	3,414,321
	56,835,586	3,414,321

The following table provides information about exposure to credit risk for trade and other receivables:

<i>In CZK</i>	30 June 2018	31 December 2017
Current (not past due)	22,076,622	974,405

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Period ended 30 June 2018

6. Expenses by nature

<i>In CZK</i>	Period ended 30 June 2018	Period ended 30 June 2017
Administrative services	(12,704,129)	(2,828,075)
Foreign exchange loss from operating activities	(5,059,966)	-
Marketing expenses	(499,076)	(2,573,471)
Guarantee expenses	(415,923)	(1,123,613)
Amortisation of intangible assets	(12,432)	(12,432)
Bond administration fee	(10,000)	(260,893)
Other expenses	(3,231,441)	(612,192)
Total expenses	(21,932,967)	(7,410,676)

7. Finance costs, net

<i>In CZK</i>	Period ended 30 June 2018	Period ended 30 June 2017
Interest expense		
Loan interest	(12,241,002)	(4,159,271)
Bond interest	-	(23,688,758)
Sundry finance expenses		
Bank charges	(25,654)	(1,735)
Net foreign exchange profits/(losses)		
Foreign exchange profit/(loss)	(18,065,907)	1,422,818
Interest revenue		
Interest revenue from bank accounts	30	-
Total finance costs	(30,332,533)	(26,426,946)

8. Tax

<i>In CZK</i>	Period ended 30 June 2018	Period ended 30 June 2017
Current tax expense		
Current period	(488,397)	-
Deferred tax expense		
Origination and reversal of temporary differences	(15,115,199)	-
Total income tax expense	(15,603,596)	-

Deferred tax is calculated using currently enacted tax rates expected to apply when the asset is realised or the liability is settled. The corporate income tax rate in Cyprus is 12.5% and in Czech Republic 19%.

GRAMEXO PLC**NOTES TO THE CONDENSED INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

Period ended 30 June 2018

8. Tax (continued)

Reconciliation of the effective tax rate:

<i>In CZK</i>	Period ended 30 June 2018		Period ended 30 June 2017	
	%		%	
Loss before tax		(16,552,910)		(33,821,618)
Tax using the Company's domestic tax rate	12.50%	(2,069,114)	12.50%	(4,227,702)
Effect of tax rates in foreign jurisdictions	17.47%	(2,891,150)	1.45%	(491,533)
Non-deductible expenses	(16.76%)	2,774,208	0.00%	-
Recognition of previously unrecognised tax losses	1.70%	(281,764)	0.00%	-
Current period losses for which no deferred tax asset was recognised	0.00%	-	(13.95%)	4,719,235
Adjustments for prior periods	(109.17%)	18,071,416	0.00%	-
Total income tax expense	(94.26%)	15,603,596	0.00%	-

9. Investment properties

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

<i>In CZK</i>	Period ended 30 June 2018
	Czech Republic
Fair value hierarchy	Level 3
Fair value at 1 January	1,950,759,000
Additions (1)	338,836,032
Capitalised borrowing costs	34,710,561
Net gain from fair value adjustments on investment property	13,444,836
Fair value at 30 June	2,337,750,429

<i>In CZK</i>	Period ended 31 December 2017
	Czech Republic
Fair Value hierarchy	Level 3
Fair value at 1 January	997,038,000
Additions (1)	480,125,985
Capitalised borrowing costs	61,324,863
Net gain from fair value adjustments on investment property	412,270,152
Fair value at 31 December	1,950,759,000

GRAMEXO PLC**NOTES TO THE CONDENSED INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

Period ended 30 June 2018

9. Investment properties (continued)*In CZK*

**Period ended
30 June 2017**
Czech Republic
Level 3

Fair value hierarchy

Fair value at 1 January	997,038,000
Additions (1)	202,351,072
Capitalised borrowing costs	3,841,850
Fair value at 30 June	<u>1,203,230,922</u>

(1) Investment property is under construction. Additions represent construction costs that have been already incurred.

For the period ended 30 June 2018 the gain from fair value adjustments on investment property comes from revaluation of investment property sold from Rustonka Development s.r.o. to Rustonka Court s.r.o. This investment property was before transfer valued by independent valuator. The value of transferred investment property before revaluation was CZK 33,881,633.

As at 30 June 2018 the Group's investment property with a carrying amount of CZK 2,290,382,960 is pledged as collateral under the bank credit facility (31 december 2017: CZK 1,950,759,000).

The contractual obligations regarding the investment property as at 30 June 2018 are EUR 41,6m for Rustonka I, EUR 35,2m for Rustonka II and EUR 0,96m for Rustonka Court (2017: EUR 46,5m for Rustonka I and EUR 36,8m for Rustonka II).

Amounts recognised in profit or loss*In CZK*

	Period ended 30 June 2018	Period ended 30 June 2017
Rental income from investment properties	22,171,816	-
Direct operating expenses arising from investment properties that generated rental income during the period	(3,857,545)	-
Direct operating expenses arising from investment properties that did not generate rental income during the period	(1,242,074)	(250,844)
Fair value gains on investment property	13,444,836	-
Total	<u>30,517,033</u>	<u>(250,844)</u>

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Period ended 30 June 2018

10. Trade and other receivables

<i>In CZK</i>	30 June 2018	31 December 2017
Accrued income	19,240,305	-
Trade receivables	2,836,316	974,405
<i>Financial assets included in the risk management (see note 5)</i>	22,076,621	974,405
Prepayments	19,097,667	5,686,588
Deferred expenses	11,372,162	7,125,222
Tax receivables	4,515,028	4,715,265
Total	57,061,478	18,501,480
Current	47,212,882	14,284,480
Non-current	9,848,596	4,217,000
Total	57,061,478	18,501,480

Accrued income represents rental income which has not been invoiced yet.

As at 31 December 2017 deferred expenses included an amount of CZK 415,923 which was related to guarantee fees. These fees were resulting from a guarantee declaration agreement issued by a Slovak legal entity (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 matured on 3 March 2018, and the relevant costs were amortised over a period of three years.

As at 30 June 2018 trade and other receivables with a carrying amount of CZK 45,680,676 are subject to pledges (31 December 2017: none).

11. Cash and cash equivalents

Cash balances are analysed as follows:

<i>In CZK</i>	30 June 2018	31 December 2017
Cash in hand	18,918	5,000
Cash at bank	34,758,965	2,439,916
Total	34,777,883	2,444,916

As at 30 June 2018 cash and cash equivalents with a carrying amount of CZK 34,176,695 are subject to pledges (31 December 2017: none).

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Period ended 30 June 2018

12. Borrowings

<i>In CZK</i>	30 June 2018	31 December 2017
Credit facilities from related parties	4,013,347	37,217,665
Credit facilities from related parties - accrued interest	179,791	8,687,240
Credit facilities from banks	935,907,964	503,895,065
Credit facilities from banks - accrued interest	4,771,276	19,513,935
Bonds - capital amount	904,900,814	904,900,814
Bonds - accrued interest	83,700,567	57,149,638
Total	1,933,473,759	1,531,364,357
Current	1,300,081	33,853,000
Non-current	1,932,173,678	1,497,511,357
Total	1,933,473,759	1,531,364,357

As at 30 June 2018 and 31 December 2017, the issued certificates amounted to 39,300 with a total aggregate principal amount of CZK 1,179,000,000.

The terms and conditions of borrowings as at 30 June 2018 are as follows:

<i>In CZK</i>	Principal	Accrued interest	Total	Interest rate type	Variable rate	Interest rate as at 30 June	Maturity
<i>Credit facilities from banks</i>							
Secured	732,433,609	1,300,081	733,733,690	variable	1M Euribor	2.15%	31.12.2019
Secured	203,474,355	3,471,195	206,945,550	variable	12M Euribor	5.19%	31.1.2021
<i>Credit facilities from related parties</i>							
Unsecured	4,013,347	179,791	4,193,138	fix	-	5.10%	31.12.2019

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

	30 June 2018	31 December 2017
Bonds	5.64%	5.64%
Credit facilities from banks	2.77%	7.21%
Credit facilities from related parties	5.10%	5.10%

GRAMEXO PLC**NOTES TO THE CONDENSED INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

Period ended 30 June 2018

12. Borrowings (continued)

Reconciliation of movements of borrowings to cash flow arising from financing activities:

<i>In CZK</i>	Borrowings
Balance as at 1 January 2018	1,531,364,357
<i>Changes from financing activities</i>	
Cash inflows from borrowings	1,096,974,873
Repayment of borrowings	(717,134,352)
Interest paid	(42,929,341)
<i>Total changes from financing cash flow</i>	<u>336,911,180</u>
<i>Other changes</i>	
Interest expense	12,241,002
Borrowings costs	34,710,561
Unrealised exchange difference, net	18,246,659
<i>Total other changes</i>	<u>65,198,222</u>
Balance as at 30 June 2018	<u>1,933,473,759</u>

13. Deferred tax

	30 June 2018		
<i>In CZK</i>	Deferred tax assets	Deferred tax liabilities	Net
Investment property	-	(104,425,116)	(104,425,116)
Trade and other receivables	1,347,586	(1,408,062)	(60,476)
Tax losses	14,853,393		14,853,393
<i>Offset</i>	<i>(16,200,979)</i>	<i>16,200,979</i>	-
Total	-	<u>(89,632,199)</u>	<u>(89,632,199)</u>

	31 December 2017
<i>In CZK</i>	Deferred tax liability
Investment property	(74,517,000)
Total	<u>(74,517,000)</u>

Movement in deferred tax assets and deferred tax liabilities:

<i>In CZK</i>	Balance at 1 January 2018	Recognised in profit/(loss)	Balance at 30 June 2018
<i>Deferred tax assets</i>			
Trade and other receivables	-	1,347,586	1,347,586
Tax losses	-	14,853,393	14,853,393
<i>Deferred tax liabilities</i>			
Investment property	(74,517,000)	(29,908,116)	(104,425,116)
Trade and other receivables	-	(1,408,062)	(1,408,062)
Total	<u>(74,517,000)</u>	<u>(15,115,199)</u>	<u>(89,632,199)</u>

GRAMEXO PLC**NOTES TO THE CONDENSED INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

Period ended 30 June 2018

13. Deferred tax (continued)

<i>In CZK</i>	Balance at 1 January 2017	Recognised in profit/(loss)	Balance at 30 June 2017
Deferred tax liabilities			
Investment property	(13,693,680)	-	(13,693,680)
Total	(13,693,680)	-	(13,693,680)

As at 30 June 2018 there are no unrecognised deferred tax assets.

A deferred tax asset is recognised for the carry forward of unused tax losses only to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized.

Tax losses arisen in the Czech Republic and Cyprus expire over a period of five years.

Some deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because, due to the varying nature of the sources of these assets, it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

An estimation of the expiry of tax losses is as follows:

<i>In CZK</i>	2019	2020	2021	2022	2023 and later
Tax losses	14,007,948	26,083,574	27,245,825	-	10,838,406

14. Trade and other payables

<i>In CZK</i>	30 June 2018	31 December 2017
Trade payables	172,657,376	121,019,000
Deposits as guarantee for rent	9,808,346	-
Accruals	408,911	2,888,215
Property tax	73,589	-
VAT	267	4,853
Other creditors	169,806	741,079
Financial liabilities included in the risk management (see note 5)	183,118,295	124,653,147
Operating received advances	15,184,189	1,356,000
Deferred income	7,026	7,000
Total	198,309,510	126,016,147
Current	198,309,510	124,689,147
Non-current	-	1,327,000
Total	198,309,510	126,016,147

GRAMEXO PLC**NOTES TO THE CONDENSED INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

Period ended 30 June 2018

15. Fair value information

The following table is a comparison of the carrying amounts and fair values of the Group's financial assets and liabilities that are not carried at fair value:

30 June 2018

<i>In CZK</i>	Carrying amount	Fair value	
		Level 1	Level 2
<i>Financial liabilities</i>			
Borrowings	1,933,473,759	1,037,520,000	944,659,621

31 December 2017

<i>In CZK</i>	Carrying amount	Fair value	
		Level 1	Level 2
<i>Financial liabilities</i>			
Borrowings	1,531,364,357	984,465,000	581,904,567

The Group does not disclose the fair values of financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments:

i. Borrowings

For loans and borrowings with no defined maturities, fair value is taken to be the amount payable on demand at the statement of financial position date. The estimated fair value of fixed-maturity loans and borrowings is based on discounted cash flows using rates currently offered for loans and borrowings of similar risks and remaining maturities.

ii. Trade receivables/payables

For trade receivables/payables the nominal amount is deemed to reflect the fair value.

16. Operating leases**Leases as lessor**

The Group leases out its investment properties under operating leases. Leases are typically for periods from five years to seven years.

Non-cancellable operating lease rentals are receivable as follows:

<i>In CZK</i>	30 June 2018	31 December 2017
Less than one year	9,927,282	687,949
Between one and five years	237,616,370	4,434,883
Over five years	25,970,692	2,885,988
Total	273,514,344	8,008,820

For the period ended 30 June 2018, rental income in the amount of CZK 22,171,816 was recognised in the consolidated statement of comprehensive income (period ended 30 June 2017: none).

GRAMEXO PLC

NOTES TO THE CONDENSED INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Period ended 30 June 2018

17. Related party balances and transactions

Identity of related parties

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 as at and for the period ended 31 December 2017 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 30 June 2017, the ultimate beneficial owner was Mr. Pavel Bagin, Czech Republic resident.

The related party balances and transactions are as follows:

Directors' remuneration

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

<i>In CZK</i>	Period ended 30 June 2018	Period ended 30 June 2017
Directors' fees	24,209	-

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

Related party assets and liabilities

<i>In CZK</i>	Note	30 June 2018	31 December 2017
<i>Borrowings from related party</i>			
Capital amount	12	4,013,347	37,217,665
Accrued interest	12	179,791	8,687,240
Total		4,193,138	45,904,905
<i>Deferred expenses from related party</i>			
Deferred expenses		-	423,480
Total		-	423,480

Related party transactions

<i>In CZK</i>	Period ended 30 June 2018	Period ended 30 June 2017
Interest expenses	(534,962)	-
Administrative services	(4,434,500)	-
Guarantee expenses	(415,923)	-
Total	(5,385,385)	-

GRAMEXO PLC**NOTES TO THE CONDENSED INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

Period ended 30 June 2018

17. Related party balances and transactions (continued)***Related party commitments***

<i>In CZK</i>	30 June 2018	31 December 2017
Borrowing commitments received	1,169,339	58,561,475

18. Contingencies

The Company is obliged to pay to J&T Real Estate CZ a.s. the amount of CZK 28,000,000 in case that the subsidiary company Rustonka Development s.r.o. is sold above the amount of CZK 242,100,000 before 31 December 2021. No provision has been effected as the management is of the opinion that such an event is not probable.

19. Events after the reporting period

There are no subsequent events to be mentioned.

20. Investments in subsidiaries

On 15 May 2018 new subsidiary of the Group - Rustonka Court s.r.o. - was established. The company has 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.

The list of new subsidiaries during the period ended 30 June 2018:

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

There were no other changes in the Group's structure during the period ended 30 June 2018.

