

GRAMEXO PLC (FORMERLY GRAMEXO LIMITED)
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
31 December 2016

GRAMEXO PLC (FORMERLY GRAMEXO LIMITED)

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS Year ended 31 December 2016

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GRAMEXO PLC (FORMERLY GRAMEXO LIMITED)

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Ivana Tollarovicova Nicolas Italos - appointed on 9 May 2016
Group Secretary:	PA.TY. Secretarial Limited
Independent Auditors:	PricewaterhouseCoopers Limited Certified Public Accountants and Registered Auditors Julia House 3 Themistocles Dervis Street CY-1066 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 P.C. 1061, Nicosia, Cyprus
Bankers:	J&T Banka, a.s. Prague 8, Postal Code 186 00 Czech Republic

GRAMEXO PLC (FORMERLY GRAMEXO LIMITED)

CONSOLIDATED 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 2016.

Incorporation

The holding Company Gramexo PLC (formerly Gramexo Limited) 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 is the Investments in the Czech real estate market.

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 2016 the wholly owned subsidiary Prosek Court s.r.o. was disposed, a new subsidiary was incorporated namely Rustonka Development II s.r.o (which currently remains dormant) and the holding Company acquired the whole share capital of Rustonka Development s.r.o.

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. Although the Group had net liabilities of CZK93.698.351 at 31 December 2016, a net loss of CZK42.948.737 for the year then ended and future financing needs to complete the project, events which indicate that there is material uncertainty which may cast significant doubt on the ability of the Group to continue as a going concern, Management has performed an assessment which verifies the Group's ability to continue as a going concern. This is described in Note 2 of these financial statements.

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") the Company operates mainly on the Prague administration and multifunctional buildings market, specifically in the area of Prague 8-Karlín.

Furthermore, the Group 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, due in 2021.

The proceeds from the bond issue were lent to the holding Company's subsidiary Rustonka Development s.r.o. (or other future subsidiaries) to cover its business activities.

Estimated costs connected with the issuance of the certificates will be approximately CZK20.000.000 and net proceeds are expected to be approximately CZK1.060.000.000.

On 22nd of November 2016, the holding Company established a new subsidiary Rustonka Development II s.r.o., to support project plans in Praha 8-Karlín.

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, 4 and 22 of the consolidated financial statements.

Existence of branches

The Group does not maintain any branches.

GRAMEXO PLC (FORMERLY GRAMEXO LIMITED)

CONSOLIDATED MANAGEMENT REPORT

Going concern basis

Even though the Group suffered a loss of CZK42.948.737 (2015 profit: CZK99.014.075) and as at that date its liabilities exceeded its assets by CZK93.698.351 (2015 net asset position of CZK4.911.515), Management believes that due to the following reasons, the Group will be able to repay its obligations as they fall due:

- a) In the first quarter of 2017, the Group issued successfully an additional 11.000 certificates generating the amount of CZK260.808.986, demonstrating the confidence of the market related to the Group's financial condition.
- b) External valuers performed an independent valuation report on 26 April 2017 which shows an increase of the fair value of the investment property by CZK110.782.000 as compared to the fair value shown in these financial statements.
- c) Cash flow position of the Group after the year end is adequate to cover short term financial liabilities

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. These risks are the following:

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.

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.

Results

The Group's results for the year are set out on page 14. The net loss for the year is carried forward.

Dividends

The Group did not have any distributable profits as at 31 December 2016, 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 year.

Share capital

Authorised capital

On 5 May 2016 through a shareholder's resolution, it was decided to increase the Company's authorised share capital from 1.000 ordinary shares of €1,71 each that was before to 15.205 ordinary shares of €1,71 each.

Issued capital

On 5 May 2016, the Company's issued share capital was increased from 1.000 ordinary shares of €1,71 each that was before to 15.205 ordinary shares of €1,71 each, with the issue of 14.205 new ordinary shares at par.

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.

GRAMEXO PLC (FORMERLY GRAMEXO LIMITED)

CONSOLIDATED MANAGEMENT REPORT

Internal controls

The Group does not apply any internal control principles and strategies and the rules for the treatment of risks.

Rights and obligations of the shareholders

According to Trust Deeds, each of the seven shareholders holds the Issuer's shares in favour of ultimate beneficial owner. Under this agreement, each of these shareholders is required to if so determined (i) transfer the shares on him immediately (ii) transfer all dividends to him, (iii) vote on his instructions. The given contracts are closed for an indefinite period, with only owner entitled to denounce them. Ultimate beneficial owner indirectly owns 100% of the Issuer's shares and holds 100% of the voting rights associated with the Issuer these shares.

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 to re-appointment of directors of the company, re-appointment of auditors of the Company, resolve remuneration of the auditors, remuneration of the Director and approve of Financial Statements, agreements and transactions completed through the year under the provisions of the Cyprus Companies Law, Cap. 113.

Corporate Governance Code

During the year 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 consolidated 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 31 December 2016 and at the date of this consolidated 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 the Issuer is the Board of Directors, which has two members - the directors acting on its behalf independently. The Director is 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. Failure to comply of the shareholder's instructions may be grounds for revoking the statutory body. The Board of Directors decides on all issues of the Issuer which are not subject to the laws or regulations of the Issuer authorities of the Issuer. 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 / Directors are at the date of the Prospectus, Mrs. Ivana Tollarovcova and Mr. Nicolas Italos.

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

Operating Environment of the Group

Any significant events that relate to the operating environment of the Group are described in note 22 to the consolidated financial statements.

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 26 to the financial statements.

Related party balances and transactions

Disclosed in note 23 of the consolidated financial statements.

GRAMEXO PLC (FORMERLY GRAMEXO LIMITED)

CONSOLIDATED MANAGEMENT REPORT

Independent Auditors

The Independent Auditors, PricewaterhouseCoopers Limited, 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.

Directors' declaration

We declare that the consolidated financial statements give 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 Toplarovicova
Director

Nicosia, 20 December 2017



Nicolas Italos
Director

Nicosia, 20 December 2017



Independent auditor's report

To the Members of Gramexo PLC

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the accompanying consolidated financial statements of Gramexo PLC (the "Company") and its subsidiaries (the "Group"), give a true and fair view of the consolidated financial position of the Group as at December 31, 2016, and 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 and the requirements of the Cyprus Companies Law, Cap.113.

What we have audited

We have audited the consolidated financial statements which are presented in pages 14 to 41 and comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the consolidated financial statements is International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus 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 *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Group incurred a net loss of CZK42,948,737 during the year ended 31 December 2016 and, as of that date, the Group's current liabilities exceeded its total assets by CZK93,698,351. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

Overview



- **Overall materiality: CZK9,500,000.**
- We planned and conducted our audit to cover the entire set of financial information of the Group. The only significant component was the subsidiary in Czech Republic.
- Valuation of the investment properties.

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Board of Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We considered the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Our audit approach (continued)

Materiality (continued)

<i>Overall materiality</i>	CZK9,500,000
<i>How we determined it</i>	Approximately 0.75% of total assets
<i>Rationale for the materiality benchmark applied</i>	<p>The Group's principal activity is the holding of properties in the Czech real estate market. The benchmark used is total assets as the building is under construction and the Group has no other operations. This benchmark is generally accepted.</p> <p>0.75% is an acceptable quantitative materiality threshold for this benchmark.</p>

Individual misstatements identified during the audit above CZK475,000 as well as misstatements below that amount that warranted reporting for qualitative reasons will be reported to those charged with governance.

How we tailored our audit scope

We tailored the scope of our audit and determined the nature and extent of the audit procedures for the components of the Group to ensure that we perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole. In this context, the determining factors were the structure of the Group, the significance of each component, the risk profile and relevant activities of the components, the accounting processes and controls, and the industry in which the Group operates.

We performed an audit of the complete financial information of all significant components. For the remaining non-significant components we performed analytical procedures; and/or audit of specific account balances.

The group consolidation was audited by the group engagement team. For significant components located in Czech Republic we used FSG FinAudit s.r.o as the component auditors who are familiar with the local laws and regulations to perform the audit work. Where the work performed by component auditors, we as group engagement team determined the level of involvement we need to have in the audit work at those components to enable us to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group consolidated financial statements as a whole.

Our involvement in the work performed by other auditors of the significant components included, amongst others, regular calls with the auditors; discussion and agreement for the nature, timing and extend of the work; and review of the work performed by these component auditors for high risk areas.

By performing the procedures above at components level, combined with the additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the Group as a whole to provide a basis for our audit opinion on the consolidated financial statements.

Our audit approach (continued)

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 consolidated opinion on these matters. We have determined the matter described below as key audit matter to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p><i>Valuation of the investment properties</i></p> <p>As at 31 December 2016, the Group held an investment properties for which the Board of Directors has carried out a fair value assessment.</p> <p>Management has estimated the fair value of this investment properties based on the independent valuation which was performed by valuation experts on behalf of the Group.</p> <p>Particular focus on this area was given due to the size of the fair value of the investment properties which amounted to CZK 997.038.000 as at 31 December 2016 and because of the judgements and estimates involved in measuring the fair value of the investment properties.</p> <p>Note 2, Significant Accounting Policies, Note 4 Critical Accounting Estimates And Judgement and Note 9, Investment Properties included in the consolidated financial statements provide detailed information on the investment properties.</p>	<p>We assessed whether the management's approach in assessing the fair value of the investment properties is appropriate.</p> <p>In addition, with the assistance of PwC Network valuation experts, we assessed the appropriateness of the methodology, assumptions and estimates involved in measuring the fair value of the investment properties held by the subsidiary.</p> <p>More specifically, our audit work concentrated on the following areas for the assessment of the valuation report:</p> <ul style="list-style-type: none">- We evaluated the competency and objectivity of management's valuation expert;- We tested the underlying calculations prepared by the appraiser. Specifically, we examined the appropriateness of the valuation methodology applied and reviewed the technical and mathematical accuracy of the valuation model;- We challenged the key assumptions involved in the valuation of the investment properties, including price per square meter, annual rent and discount rates;- We evaluated the adequacy of the disclosures made in Note 9 of the consolidated financial statements, including those regarding the key assumptions and sensitivities to changes in such assumptions.

Other information

The Board of Directors is responsible for the other information. The other information comprises the Consolidated Management Report which we obtained prior to the date of this auditor's report. Other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus 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 the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- **Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 those charged with governance, 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. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the Consolidated Management Report, whose preparation is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap.113, and the information given therein is consistent with the consolidated financial statements.
- In our opinion and 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 Cyprus 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 Cyprus Companies Law, Cap, 113, and is consistent with the consolidated financial statements.
- In our opinion, and 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 corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In our opinion, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii) and (vi) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.

Other matters

This report, including the opinion, has been prepared for and only for the Group's members as a body in accordance with Section 69 of the Auditors Law of 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 Company for the year ended 31 December 2015 were audited by a different auditor. The audit opinion dated 14 June 2016 was unqualified.

The engagement partner on the audit resulting in this independent auditor's report is Loizos Markides.

Loizos Markides

Loizos Markides
Certified Public Accountant and Registered Auditor

For and on behalf of
PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Nicosia, 20 December 2017

GRAMEXO PLC (FORMERLY GRAMEXO LIMITED)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME Year ended 31 December 2016

	Note	2016 CZK	2015 CZK
Other operating income		8.000	-
Fair value losses on investment property		(33.525.678)	-
Administration expenses	6	(6.827.282)	(2.265.659)
Operating loss		(40.344.960)	(2.265.659)
Finance income	7	49.566	974.176
Finance costs	7	(7.011.255)	(1.114.640)
Loss before tax		(47.306.649)	(2.406.123)
Tax	8	4.357.912	-
Loss from continuing operations		(42.948.737)	(2.406.123)
Profit from disposal of subsidiary - held for sale	5	-	101.420.198
Net (loss)/profit for the year		(42.948.737)	99.014.075
Other comprehensive income		-	-
Total comprehensive (loss)/profit for the year after tax		(42.948.737)	99.014.075

The notes on pages 18 to 41 form an integral part of these consolidated financial statements.

GRAMEXO PLC (FORMERLY GRAMEXO LIMITED)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION 31 December 2016

	Note	2016 CZK	2015 CZK
ASSETS			
Non-current assets			
Investment properties	9	997.038.000	-
Intangible assets		<u>128.000</u>	-
		<u>997.166.000</u>	-
Current assets			
Trade and other receivables	11	5.232.965	4.958.229
Cash and cash equivalents	12	<u>3.724.700</u>	<u>45.192</u>
		<u>8.957.665</u>	<u>5.003.421</u>
Assets classified as held for sale	13	-	200.000
Total assets		<u>1.006.123.665</u>	<u>5.203.421</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	14	702.094	45.520
Other reserves	15	(56.317.703)	-
Accumulated losses /retained earnings		<u>(38.082.742)</u>	<u>4.865.995</u>
Total equity		<u>(93.698.351)</u>	<u>4.911.515</u>
Non-current liabilities			
Borrowings	16	976.526.145	-
Deferred tax liabilities	17	<u>13.693.680</u>	-
		<u>990.219.825</u>	-
Current liabilities			
Trade and other payables	18	108.930.553	291.647
Borrowings	16	631.971	-
Current tax liabilities	19	<u>39.667</u>	<u>259</u>
		<u>109.602.191</u>	<u>291.906</u>
Total liabilities		<u>1.099.822.016</u>	<u>291.906</u>
Total equity and liabilities		<u>1.006.123.665</u>	<u>5.203.421</u>

On 20 December 2017 the Board of Directors of Gramexo PLC (formerly Gramexo Limited) authorised these consolidated financial statements for issue.


.....
Ivana Tollarovická
Director


.....
Nicolas Italos
Director

The notes on pages 18 to 40 form an integral part of these consolidated financial statements.

GRAMEXO PLC (FORMERLY GRAMEXO LIMITED)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Note	Share capital CZK	Other reserves CZK	(Accumulated losses)/ Retained earnings CZK	Total CZK
Balance at 1 January 2015		45.520	-	(94.148.080)	(94.102.560)
Comprehensive income					
Net profit for the year		-	-	99.014.075	99.014.075
Balance at 31 December 2015/ 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		702.094	(56.317.703)	(38.082.742)	(93.698.351)

The notes on pages 18 to 40 form an integral part of these consolidated financial statements.

GRAMEXO PLC (FORMERLY GRAMEXO LIMITED)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Note	2016 CZK	2015 CZK
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax from continuing operations		(47.306.649)	(2.406.123)
Adjustments for:			
Depreciation of property, plant and equipment		21.000	-
Profit from the disposal of subsidiary - held for sale	5	-	(101.420.198)
Fair value losses on investment property	9	33.525.678	-
Interest expense	16	7.009.080	1.111.373
Exchange difference		(181)	(5.638)
		(6.751.072)	(102.720.586)
Changes in working capital:			
Decrease/(Increase) in trade and other receivables		7.696.264	(4.937.181)
Increase/(Decrease) in trade and other payables		66.179.906	(93.583.059)
Cash generated from/(used in) operations		67.125.098	(201.240.826)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of investment property	9	(201.324.000)	-
Payment for purchase of investments in subsidiaries	10	(2.703)	(143.336.556)
Proceeds from disposal of investments in subsidiary - held for sale	10	200.000	244.956.754
Net cash (used in)/generated from investing activities		(201.126.703)	101.620.198
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	14	656.574	-
Repayments of borrowings		(477.605.993)	(139.238.475)
Proceeds from borrowings		656.680.210	138.569.489
Borrowing costs		(7.200.678)	-
Interest paid		(35.288.000)	(1.133.109)
Net cash generated from/(used in) financing activities		137.242.113	(1.802.095)
Net increase/(decrease) in cash and cash equivalents		3.240.508	(101.422.723)
Cash and cash equivalents at beginning of the year		484.192	101.467.915
Cash and cash equivalents at end of the year	12	3.724.700	45.192

The notes on pages 18 to 40 form an integral part of these consolidated financial statements.

GRAMEXO PLC (FORMERLY GRAMEXO LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

1. Incorporation and principal activities

Country of incorporation

The holding Company 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. Its registered office is at Akropoleos 59-61, Sawvides Center, 1st floor, Flat/Office 102, P.C. 2012 Nicosia, Cyprus.

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.

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. 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

In assessing the Group's status as a going concern Management considered the current intentions and financial position of the Group. Although the Group had net liabilities of CZK93.698.351 at 31 December 2016, a net loss of CZK42.948.737 for the year then ended and future financing needs to complete the project, events which indicate that there is material uncertainty which may cast significant doubt on the ability of the Group to continue as a going concern, Management has performed an assessment which verifies the Group's ability to continue as a going concern.

Even though the Group made a loss of CZK42.948.737 (2015 profit: CZK99.014.075) and as at that date its liabilities exceeded its assets by CZK93.698.351 (2015 net asset position of CZK4.911.515), Management believes that due to the following reasons, the Group will be able to repay its obligations as they fall due:

- a) In the first quarter of 2017, the Group issued successfully an additional 11,000 certificates generating the amount of CZK260.808.986, demonstrating the confidence of the market related to the Group's financial condition.
- b) External valuers performed an independent valuation report on 26 April 2017 which shows an increase of the fair value of the investment property by CZK110.782.000 as compared to the fair value shown in these financial statements.
- c) Cash flow position of the Group after the year end is adequate to cover short term financial liabilities

Basis of preparation

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 and investment property.

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.

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 2016.

GRAMEXO PLC (FORMERLY GRAMEXO LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

2. Significant accounting policies (continued)

Adoption of new and revised IFRSs (continued)

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, as follows:

(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).*

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

New standards

- *IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019).*

Amendments

- *Amendments to IFRS2: Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018).*
- *Amendments to IFRS 4: Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2018).*
- *Clarifications to IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018).*
- *IAS 7 (Amendments) "Disclosure Initiative" (effective for annual periods beginning on or after 1 January 2017).*
- *IAS 12 (Amendments) "Recognition of Deferred Tax Assets for Unrealised Losses" (effective for annual periods beginning on or after 1 January 2017).*
- *Annual Improvements to IFRSs 2014–2016 Cycle (issued on 8 December 2016) (effective for annual periods beginning on or after 1 January 2017)*
- *Annual Improvements to IFRSs 2014–2016 Cycle (issued on 8 December 2016) (effective for annual periods beginning on or after 1 January 2018)*
- *Amendments to IAS 40: "Transfers of Investment Property" (effective for annual periods beginning on or after 1 January 2018).*

New IFRICs

- *IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Consideration" (effective for annual periods beginning on or after 1 January 2018).*

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 following subsidiaries, Rustonka Development s.r.o. and Rustonka Development II s.r.o.

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.

GRAMEXO PLC (FORMERLY GRAMEXO LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

2. 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 recognises 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 recognised 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 recognised 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 recognised 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 acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

GRAMEXO PLC (FORMERLY GRAMEXO LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

2. Significant accounting policies (continued)

Business combinations (continued)

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

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 other reserves in equity.

Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

GRAMEXO PLC (FORMERLY GRAMEXO LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

2. Significant accounting policies (continued)

Segmental reporting

Segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker.

In 2016, the Group's operations are entirely carried out in Czech Republic where all of the Group's revenue is generated.

In 2015, the Group's operations were entirely carried out by a separate subsidiary in Czech Republic where all of the Group's revenue was generated. The primary activity of the subsidiary was the development of land in a different building site. The subsidiary was accounted for as a different line of business and for the segmental information was evaluated as a stand-alone business.

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.

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 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.

GRAMEXO PLC (FORMERLY GRAMEXO LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year ended 31 December 2016

2. Significant accounting policies (continued)

Dividends

Dividend distribution to the Group's shareholders is recognised in the Group's financial statements in the year in which they are approved by the Group'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 Group's shareholders.

Investment properties

Investment property, principally comprising 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 derecognised 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 derecognised.

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 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 amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised 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.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation 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 amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised 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 amortised. 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 recognised in profit or loss when the asset is derecognised.

GRAMEXO PLC (FORMERLY GRAMEXO LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

2. Significant accounting policies (continued)

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 assets

(1) Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss and 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.

- Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performance is evaluated on a fair value basis, in accordance with the Group's documented investment strategy. Information about these financial assets is provided internally on a fair value basis to the Group's key management personnel. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months from the reporting date.

- 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. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

GRAMEXO PLC (FORMERLY GRAMEXO LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year ended 31 December 2016

2. Significant accounting policies (continued)

Financial Instruments (continued)

Financial assets (continued)

(2) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. 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 amortised cost using the effective interest method.

Where securities are sold under a commitment to repurchase at a predetermined price (repos), they remain on the balance sheet and the liability is recorded equal to the consideration received. Conversely, securities purchased under a commitment to resell (reverse repos) are not recorded on the balance sheet and the consideration paid is recorded as a loan. The difference between the sale price and repurchase price is treated as interest and accrued evenly over the life of the transaction.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit or loss when the Company's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs. Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in profit or loss as gains and losses on available-for-sale financial assets.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

GRAMEXO PLC (FORMERLY GRAMEXO LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

2. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss.

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.

In respect of available for sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available for sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Cash and cash equivalents

For the purpose of the consolidated 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.

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 extent 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 Group 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 Group and the costs can be measured reliably. Borrowing costs which are capitalised as part of the asset are classified as cash flows from financing activities in the consolidated statement of cash flows.

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.

GRAMEXO PLC (FORMERLY GRAMEXO LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

2. Significant accounting policies (continued)

Trade payables

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

Share capital

Ordinary shares are classified as equity.

Provisions

Provisions are recognised 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:

	2016 CZK	2015 CZK
Fixed rate instruments		
Financial liabilities	(962,560,363)	-
	<u>(962,560,363)</u>	<u>-</u>

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 2016 amounted at CZK2,541,315 and CZK3,724,700 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:

GRAMEXO PLC (FORMERLY GRAMEXO LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

3. Financial risk management (continued)

3.2 Credit risk (continued)

	2016 CZK	2015 CZK
Trade and other receivables	2,541,315	10,291
Cash at bank	<u>3,724,700</u>	<u>45,192</u>
	<u>6,266,015</u>	<u>55,483</u>

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

	2016 CZK	2015 CZK
Without credit rating	<u>6,265,700</u>	-
	<u>6,265,700</u>	-

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 2016	Carrying amounts CZK	Contractual cash flows CZK	Demand and less than a month CZK	1-12 months CZK	1-2 years CZK	2-5 years CZK
Credit facilities	321,298,949	382,244,029	-	663,636	47,095,977	334,484,416
Trade and other payables	<u>108,930,553</u>	<u>108,930,553</u>	<u>108,930,553</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,086,088,669</u>	<u>1,340,174,582</u>	<u>108,930,553</u>	<u>663,636</u>	<u>47,095,977</u>	<u>1,183,484,416</u>

31 December 2015	Carrying amounts CZK	Contractual cash flows CZK	Demand and less than a month CZK	1-12 months CZK	1-2 years CZK	2-5 years CZK
	<u>291,647</u>	<u>291,647</u>	<u>291,647</u>	<u>-</u>	<u>-</u>	<u>-</u>

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.

GRAMEXO PLC (FORMERLY GRAMEXO LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

3. Financial risk management (continued)

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 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.

4. 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 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:

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

During the 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.

- **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 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.

GRAMEXO PLC (FORMERLY GRAMEXO LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

4. Critical accounting estimates and judgements (continued)

Valuation of investment properties

The investment property is carried at fair value of CZK997.038.000. The valuers use their judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the reporting date.

For the valuation of investment properties, Management relies on estimates made by independent external valuers. This assessment requires significant judgment. For accounting estimates and assumptions used as well as sensitivity analysis, refer to Note 9.

5. Profit from disposal of subsidiary - held for sale

	2016	2015
	CZK	CZK
Acquisition cost	-	(200.000)
Other capital contribution	-	(138.437.421)
Mediatory fee	-	(4.899.135)
Disposal proceeds	-	244.956.754
	-	<u>101.420.198</u>

6. Expenses by nature

	2016	2015
	CZK	CZK
Director fees (Note 22.1)	10.820	368
Depreciation and amortisation expense	21.000	-
Auditors' remuneration	1.061.076	197.283
Guarantee expenses	1.387.605	-
Annual company fee	9.468	9.650
Administrative services	1.327.540	176.001
Accounting fees	192.923	32.430
Marketing expenses	543.000	-
Bond administration fee	2.265.850	1.849.927
Other expenses	8.000	-
Total expenses	6.827.282	2.265.659

The total fees charged by the Company's statutory auditor for the year ended 31 December 2016 for other services amounted to CZK Nil (2015: CZK Nil).

Staff cost for the year ended 31 December 2016 were CZK Nil (2015: CZK Nil) since the Group had no employees.

GRAMEXO PLC (FORMERLY GRAMEXO LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year ended 31 December 2016

7. Finance Income/cost

	2016 CZK	2015 CZK
Foreign exchange gains	<u>49,566</u>	<u>974,176</u>
Finance income	<u>49,566</u>	<u>974,176</u>
Interest expense	<u>(7,009,080)</u>	<u>(1,111,373)</u>
Sundry finance expenses	<u>(2,175)</u>	<u>(3,267)</u>
Finance costs	<u>(7,011,255)</u>	<u>(1,114,640)</u>
Net finance costs	<u>(6,961,689)</u>	<u>(140,464)</u>

8. Tax

	2016 CZK	2015 CZK
Corporation tax - current year	<u>(39,088)</u>	-
Deferred tax - credit	<u>4,397,000</u>	-
Credit for the year	<u>4,357,912</u>	<u>-</u>

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

	2016 CZK	2015 CZK
(Loss)/Profit before tax	<u>(47,306,649)</u>	<u>99,014,075</u>
Tax calculated at the applicable tax rates	<u>(5,913,331)</u>	<u>12,376,759</u>
Tax effect of expenses not deductible for tax purposes	<u>599,116</u>	<u>422,538</u>
Tax effect of allowances and income not subject to tax	-	<u>(12,799,297)</u>
Tax effect of tax differences from different jurisdictions	<u>9,668,574</u>	-
10% additional charge	<u>3,553</u>	-
Tax credit	<u>4,357,912</u>	<u>-</u>

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".

GRAMEXO PLC (FORMERLY GRAMEXO LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year ended 31 December 2016

9. Investment properties (continued)

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

	Czech Republic	2015 Total
	CZK Level 3	CZK Level 3
Fair Value hierarchy		
Fair Value at 1 January 2015/ 31 December 2015	-	-
	-----	-----
	Czech Republic	2016 Total
	CZK Level 3	CZK Level 3
Fair Value hierarchy		
Fair Value at 1 January 2016	-	-
Fair value at subsidiary's acquisition date	822.039.000	822.039.000
Additions:		
- Direct acquisitions	201.324.000	201.324.000
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)
	-----	-----
Market value per external valuation report / Fair value at 31 December 2016	997.038.000	997.038.000
	-----	-----

The interest capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is approximately 2,2%.

The Group's policy is to recognise 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).

Valuation processes

The Group's investment properties were valued in year 2016 by independent professionally qualified valuers who hold a recognised 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.

GRAMEXO PLC (FORMERLY GRAMEXO LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

9. Investment properties (continued)

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

District	Valuation	Valuation technique	Level 3 - Range of unobservable inputs		Sensitivity analysis - Valuations resulting from the following changes in significant inputs							
			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	CZK
Czech Republic												
Rustonka I Building A	624.182.000	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	58.741.673	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	Applicable	Not Applicable	14.189	10.487	Applicable	Applicable	Not Applicable	Not Applicable	
Market value per external valuation report/Fair value at 31 December 2016	<u>987.038.000</u>											

GRAMEXO PLC (FORMERLY GRAMEXO LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

9. Investment properties (continued)

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 valuer:

- **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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

10. Investments in subsidiaries

The Group's principal subsidiaries at 31 December 2016 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

On 10 June 2016, the Group 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 Group contributed in the share capital of the newly formed subsidiary the amount of CZK100.000.

11. Trade and other receivables

	2016 CZK	2015 CZK
Deposits and prepayments	-	315
Deferred expenses (1)	2.691.650	4.947.623
Other receivables	2.541.315	10.291
	<u>5.232.965</u>	<u>4.958.229</u>

(1) Deferred expenses include an amount of CZK 2.681.773 (2015: CZK 4.947.623) which is related to guarantee fees. These fees are 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 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 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:

	2016 CZK	2015 CZK
Cash at bank and in hand	3.724.700	45.192
	<u>3.724.700</u>	<u>45.192</u>

GRAMEXO PLC (FORMERLY GRAMEXO LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

12. Cash and cash equivalents (continued)

Cash and cash equivalents by currency:

	2016	2015
	CZK	CZK
Czech koruna	3.133.629	-
Euro	591.071	-
	<u>3.724.700</u>	<u>-</u>

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

	2016	2015
	CZK	CZK
Balance at 1 January	200.000	400.000
Capital contribution	-	138.437.421
Disposals	<u>(200.000)</u>	<u>(138.637.421)</u>
Balance at 31 December	<u>-</u>	<u>200.000</u>

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 and loss of the Group.

14. Share capital

	2016	2016	2016	2015	2015	2015
	Number of shares	EUR	CZK	Number of shares	EUR	CZK
Authorised						
Ordinary shares of €1,71 each	<u>15.205</u>	<u>26.000</u>	<u>702.094</u>	<u>1.000</u>	<u>1.710</u>	<u>45.520</u>
Issued and fully paid						
Balance at 1 January	1.000	1.710	45.520	1.000	1.710	45.520
Issue of shares	<u>14.205</u>	<u>24.290</u>	<u>656.574</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 31 December	<u>15.205</u>	<u>26.000</u>	<u>702.094</u>	<u>1.000</u>	<u>1.710</u>	<u>45.520</u>

Authorised capital

On 5 May 2016 through a shareholder's resolution, it was decided to increase the Company's authorised share capital from 1.000 ordinary shares of €1,71 each that was before to 15.205 ordinary shares of €1,71 each.

Issued capital

On 5 May 2016, the Company's issued share capital was increased from 1.000 ordinary shares of €1,71 each that was before to 15.205 ordinary shares of €1,71 each, with the issue of 14.205 new ordinary shares at par.

GRAMEXO PLC (FORMERLY GRAMEXO LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

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 reorganisation of the Group (under common control). At the date of the acquisition, the assets and liabilities acquired were as follows:

	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)
Deferred tax liabilities	(18.090.000)
	<u>(56.315.000)</u>

The resulting amount of CZK56.315.000 was recognised in other reserves as "difference in reorganisation".

16. Borrowings

	2016 CZK	2015 CZK
Current borrowings		
Credit facilities (1)	620.874	-
Credit facilities - accrued interest	<u>11.097</u>	<u>-</u>
	<u>631.971</u>	<u>-</u>
Non-current borrowings		
Bonds - capital amount (2)	648.658.489	-
Bonds - accrued interest	7.200.678	-
Credit facilities (3)	313.281.000	-
Credit facilities - accrued interest	<u>7.385.978</u>	<u>-</u>
	<u>976.526.145</u>	<u>-</u>
Total	<u>977.158.116</u>	<u>-</u>

Maturity of non-current borrowings:

	2016 CZK	2015 CZK
Between one to two years	43.699.000	-
Between two and five years	<u>932.827.145</u>	<u>-</u>
	<u>976.526.145</u>	<u>-</u>

(1) The credit facility is unsecured and bears interest of 5.10% per annum. The capital amount and the interest are both repayable by 31 December 2017.

GRAMEXO PLC (FORMERLY GRAMEXO LIMITED)

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Year ended 31 December 2016

16. 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 certificate 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. Furthermore, the issuer is entitled to issue additional certificates up to the total principal amount of CZK2.092.500.000. As at the year ended 31 December 2016, 28.300 certificates had been issued and there is a facility for further 23.250 certificates to be issued after the year end. The certificates are listed in Prague stock exchange market.

(3) The credit facilities bear interest between 5.10% and 7% per annum. The capital amount and the interest are repayable between 26 October 2018 and 20 December 2019. The bank credit facility is secured over the Group's investment property (Note 9) while the other credit facility is unsecured.

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

	2016	2015
Bonds	5,64%	0%
Credit facilities	6,78%	0%

The listed fair value of the bonds as at 31 December 2016 is CZK23.595 (78.65%). These relate to hierarchy 1 bonds.

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

The Group borrowings are denominated in the following currencies:

	2016	2015
	CZK	CZK
CZK	932.827.145	-
Euro	44.330.971	-
	<u>977.158.116</u>	<u>-</u>

17. Deferred tax

Deferred tax liability

	2016	2015
	CZK	CZK
Balance at 1 January	-	-
Revaluation of investment property	13.693.680	-
Balance at 31 December	<u>13.693.680</u>	<u>-</u>

Deferred taxation liability arises as follows:

	2016	2015
	CZK	CZK
Fair value gains on investment property	13.693.680	-
	<u>13.693.680</u>	<u>-</u>

GRAMEXO PLC (FORMERLY GRAMEXO LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

18. Trade and other payables

	2016	2015
	CZK	CZK
Trade payables	105,311,496	-
VAT	766,619	-
Accruals	2,537,181	205,711
Other creditors	315,257	85,936
	<u>108,930,553</u>	<u>291,647</u>

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

	2016	2015
	CZK	CZK
Czech koruna	106,589,496	-
Euro	2,341,057	291,647
	<u>108,930,553</u>	<u>291,647</u>

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

19. Current tax liabilities

	2016	2015
	CZK	CZK
Corporation tax	39,408	-
Special contribution for defence	259	259
	<u>39,667</u>	<u>259</u>

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 2015 and 2016, the Group's operations were entirely carried out by a separate subsidiary in Czech Republic, namely Rustonka Development s.r.o., where all of the Group's revenue was generated. Refer to Note 16 for the results of the segment as at the date of acquisition. The primary activity of the subsidiary was the development of land in a different building site. The subsidiary was accounted for as a different line of business and for the segmental information was evaluated as a stand-alone business.

GRAMEXO PLC (FORMERLY GRAMEXO LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

21. Operating Environment of the Group

21.1 Cyprus

Following a long and relatively deep economic recession, the Cyprus economy began to record positive growth in 2015 which accelerated during 2016. The restrictive measures and capital controls which were in place since March 2013 were lifted in April 2015 and on the back of the strength of the economy's performance and the strong implementation of required measures and reforms, Cyprus exited its economic adjustment programme in March 2016. In recognition of the progress achieved on the fiscal front and the economic recovery, as well as the enactment of the foreclosure and insolvency framework, the international credit rating agencies have proceeded with a number of upgrades of the credit ratings for the Cypriot sovereign, and although the rating continues to be "non-investment grade", the Cyprus government has regained access to the capital markets. The outlook for the Cyprus economy over the medium term remains positive, however, there are downside risks to the growth projections emanating from the high levels of non-performing exposures, uncertainties in the property markets, as well as potential deterioration in the external environment for Cyprus, including continuation of the recession in Russia in conditions of protracted declines in oil prices; weaker than expected growth in the euro area as a result of worsening global economic conditions; slower growth in the UK with a weakening of the pound as a result of uncertainty regarding the result of the Brexit referendum; and political uncertainty in Europe in view of Brexit and the refugee crisis.

21.2 Czech Republic

During 2016, 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 cyclical nature 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 forecast 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.

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.

GRAMEXO PLC (FORMERLY GRAMEXO LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

22. Related party balances and transactions

As at 31 December 2016, the controlling and ultimate controlling beneficial owner is Mr. Pavel Bagin, Slovak Republic resident.

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. There is no ultimate controlling party since the ordinary shares in J&T Real Estate Holding Ltd are held by 6 individuals and no one has control.

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:

	2016	2015
	CZK	CZK
Directors' fees (note 6)	<u>10.820</u>	<u>368</u>
	<u>10.820</u>	<u>368</u>

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

22.2 Transactions with related parties under common ownership

During the year ended 31 December 2016, the Group acquired from a related party under common ownership the subsidiary Rustonka Development s.r.o. for a consideration of CZK2.703 (€100).

23. Significant agreements with management

During both 2015 and 2016 no significant agreements existed between the Group and its management.

24. Contingent liabilities

The Group had no contingent liabilities as at 31 December 2016.

25. Commitments

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 CZK 242.100.000 before 31 December 2021.

26. Events after the reporting period

In the first quarter of 2017, the Group issued an additional 11.000 certificates generating the amount of CZK260.808.986 of which an amount of CZK255.850.000 was subsequently provided to the subsidiary undertaking Rustonka Development s.r.o. as loan receivable. There were no other material events after the balance sheet date, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 6 to 13

