GRAMEXO PLC

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

GRAMEXO PLC

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2018

CONTENTS

	PAGE
Board of Directors and other officers	1
Completion of missing information	2
Management report	3 - 10
Independent auditor's report	11 - 16
Consolidated statement of comprehensive income	17
Consolidated statement of financial position	18
Consolidated statement of changes in equity	19
Consolidated statement of cash flows	20
Notes to the consolidated financial statements	21 - 63
Additional information - GRAMEXO PLC, REPORT AND FINANCIAL STATEMENTS 31 December 2018	

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Ivana Tollarovicova Nicolas Italos
Group Secretary:	PA.TY. Secretarial Limited
Independent Auditors:	KPMG Limited Certified Public Accountants and Registered Auditors Esperidon 14, 1087 Nicosia, Cyprus
Financial Advisors:	J&T Banka, a.s. Prague 8, Postal Code 186 00 Czech Republic UniCredit Bank Czech Republic and Slovakia, a.s. Zeletavska 1525/1 140 92 Praga 4 Czech Republic Postova banka, a.s Dvorakovo nabrezi 4 811 02 Bratislava Slovakia
Registered office:	Klimentos, 41-43 Klimentos Tower 1st floor, Flat/Office 12 1061 Nicosia, Cyprus
Bankers:	J&T Banka, a.s. Prague 8, Postal Code 186 00 Czech Republic

COMPLETION OF MISSING INFORMATION

Based on the letter of Notification of shortcomings from Czech National Bank, dated on June 12, 2019 and in accordance with the Act No. 256/2004 Coll., Company GRAMEXO PLC presents the revised Yearly Report as of 31 December 2018.

The list of revisions are as follows:

1. On pages 3 – 10, MANAGEMENT REPORT, the text was divided into sections 1 – 8.
2. On page 3, MANAGEMENT REPORT, section 1 INTRODUCTIONS, sub-section Principal activities and nature of operations of the Group, the paragraphs 2-4 were added.
3. On page 3, MANAGEMENT REPORT, section 1 INTRODUCTIONS, the sub-sections Change of holding Company name and Changes in group structure were added.
4. On pages 4 – 5, MANAGEMENT REPORT, section 2 REVIEW OF CURRENT POSITION, FUTURE DEVELOPMENTS AND PERFORMANCE OF THE GROUP'S BUSINESS, paragraphs 4 – 10 and 14 were added.
5. On pages 5 – 7, MANAGEMENT REPORT, section 3 PRINCIPAL RISKS AND UNCERTAINTIES, paragraphs 2, 4 – 21 were added.
6. On page 7, MANAGEMENT REPORT, section 4 FINANCIAL INFORMATION, the sub-section Going concern basis was added.
7. On pages 7 – 8, MANAGEMENT REPORT, section 4 SHARE CAPITAL AND SHARES RELATED PROVISIONS, the sub-sections Share capital and variation rights and Description of rights related to Certificates were added.
8. On page 8, MANAGEMENT REPORT, section 7 BOARD OF DIRECTORS, paragraphs 3, 5 – 7 were added.
9. On page 9, MANAGEMENT REPORT, section 8 OTHER INFORMATION, the sub-section for staff costs was added.
10. On page 9, MANAGEMENT REPORT, section 8 OTHER INFORMATION, sub-section Internal controls, paragraphs 2 – 4 were added.
11. On page 9, MANAGEMENT REPORT, section 8 OTHER INFORMATION, the sub-section Corporate governance code, was amended.
12. On page 10, MANAGEMENT REPORT, section 8 OTHER INFORMATION, the sub-section Events after the reporting period, paragraphs 1-3 were added.
13. On page 10, MANAGEMENT REPORT, section 8 OTHER INFORMATION, the sub-section Independent Auditors, the paragraph 2 was added.
14. The individual financial statements of the Company for the year ended 31 December 2018 are attached.

MANAGEMENT REPORT

The Board of Directors presents its consolidated report and audited consolidated financial statements of the Company and its subsidiaries (together with the Company, the "Group") for the year ended 31 December 2018.

1. INTRODUCTIONS

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

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

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

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

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

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

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

The shareholders of GRAMEXO PLC at the end of year 2018 are as follows:

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

During the year 2018 the Group incorporated in Czech Republic a wholly owned subsidiary namely Rustonka Court s.r.o.. The Group does not intend to proceed with any further acquisitions or mergers.

MANAGEMENT REPORT

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

In assessing the Group's status as a going concern, Management considered the current intentions and financial position of the Group. The Group had net assets of CZK1.900.371.331 at 31 December 2018 (2017: CZK238.972.327), a net profit of CZK1.661.399.004 for the year then ended (2017: CZK332.670.678) and future financing needs to complete its projects. Management has performed an assessment which supports the Group's ability to continue as a going concern.

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

The Group concentrates its activities, in particular, on the Czech real estate market. Due to the acquisition of Rustonka Development s.r.o., ("Rustonka"), the incorporation of Rustonka Development II s.r.o., ("Rustonka II") in year 2016 and incorporation of Rustonka Court s.r.o. in year 2018, the Group operates mainly on the Prague administration and multifunctional buildings market, specifically in the area of Prague 8-Karlin.

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

In October 2016, the construction of the second building, Building B, started and occupancy permit was issued on 23 April 2018. The building will offer 12.878 sqm of office leasable premises, 1.643 sqm of retail premises, 979 sqm of storages and 161 parking spaces in the underground parking garage. The construction works run without any difficulties thanks to a suitable choice of a general contractor that is renowned association of construction companies Geosan - BAK. The project is based on the architectural design of the CMC Architects studio, which has great references and realized many projects. To the end of the year 2017 Head of Terms with potential tenants to 33% of office premises and 24% of retail premises were concluded. Building B was completed in the shell & core standard in March 2018 and at that time 67% of premises were contracting and Head of Terms were concluded for another 32% spaces. Building completion including fit out is expected in April 2020.

The construction of the third building, building C, started in August 2017 and occupancy permit was issued on 31 January 2019. This building will offer 12.890 sqm of office leasable premises, 1.679 sqm of retail premises, 1.149 sqm of storages and 161 parking spaces. The building approval for the building C is planned in 02/2019, where at the moment for 91% of premises the lease agreements were concluded and Head of Terms for another 8% of premises.

Assuming that by 06/2019 all three buildings will be fully occupied.

In November 2016 the new subsidiary Rustonka Development II s.r.o. was founded, that will realize the construction of administrative building Rustonka II. The valid zone permit for that project was issued in May 2015 and the building will offer 16.910 sqm of leasable premises and 230 parking spaces in the underground parking garage. Company Rustonka Development II s.r.o. obtained building permit for the project in March 2017 and the construction works started in January 2018. Completion date is expected at the end of 2nd quarter of 2020. Completion of the building including fit-outs is expected in the 2nd half of 2020. The building is planned to be leased to a single tenant. Construction commenced in 01/2018 and building completion including fitout is expected in April 2020. On January 25, 2019 the company has entered into a Lease agreement with J&T SERVICES ČR, a.s. as tenant and J&T BANKA, a.s. as an authorized tenant with the start of lease in September 2020 and for the lease period 150 months from the start date of lease. The whole building that will be used for rent has 3 underground floors (185 parking places) and 8 above floors with total leasable area of 16.910,72 square meters (office premises with area of 13,260.98 sqm and retail premises with area of 1,546.73 sqm).

Rustonka Court, s.r.o. as a new subsidiary of GRAMEXO PLC has prepared project documentation, which is attached to the application for issue of zoning decision. It is currently being discussed with the concerned authorities and administrators. On the basis of the discussion, an application for a zoning permit will be submitted and we expect the zoning permit to become legally effective in 06/2019.

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

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

The net proceeds from the bond issue were initially lent to the Company's subsidiary Rustonka Development s.r.o. to finance its construction/development activities. During the year ended 31 December 2018, part of the loan receivable from Rustonka Development s.r.o., was transferred to the new subsidiary Rustonka Court s.r.o. to cover its business activities.

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

The Holding Company declares that no judicial, or arbitration proceedings have taken place during the year 2018 which may or might have a significant impact on the financial position or profitability of the Holding Company and its subsidiaries.

The Board of Directors does not expect major changes in the principal activities of the Group in the foreseeable future, other than as explained below.

On 23 May 2019, the Company signed a sale and purchase agreement for the disposal of its subsidiary company Rustonka Development s.r.o. (described in more detail in note 30). The Company expects to use part of the disposal proceeds for the settlement of the bonds.

3. PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Group are disclosed in notes 7, 8, 26 and 28 of the consolidated financial statements.

Despite there being several risks to which the Group is exposed, no risks have effected the activities of the Issuer during the year 2018.

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 7 of the financial statements.

Significant risks are as follows:

Market price risk

Market risk is a risk related to changes of market prices such as exchange rates, interest rates and prices (values) that will affect income or value of financial instruments or assets of the Group. The Group is exposed to the risk of change in the value of real estate properties including the risk of rent or sale. The Group is also exposed to the price risk during the construction and realization of projects, when the prices of construction supplies can change what will effect the investment costs of the projects and the projects profitability.

MANAGEMENT REPORT

Market risk in terms of rental prices: prices of high-quality office premises with LEED Gold certificate, which the subsidiaries would also like to obtain for the projects, are growing on the Prague market. In combination with the attractive location of the projects at the metro station B Invalidovna, the Group does not see the risk of a sudden decrease in rental prices, which would influence the profitability of the projects in the future, even after consultation with real estate brokers.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. FINANCIAL INFORMATION

Going concern basis
Even though the Group has made a profit of CZK1.661.399.004 during the year ended 31 December 2018 as at that date the Group's current liabilities exceeded its current assets by CZK112.527.354. The Group's Financial Statements have been prepared on a going concern basis as management is of the opinion that the Group will be able to repay its obligations as they full due for the following reasons:

a) Its current liabilities will be financed out of available existing and new credit facilities;

b) The Group is expected to generate proceeds from futures rental income;

c) The bonds issued are expected to be settled from cash flows generated from the sale of subsidiary Rustonka Development s.r.o., which was sold on 29 May 2019 for TCZK1.650.575 (see note 30 for the details).

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

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

5. SHARE CAPITAL AND SHARES RELATED PROVISIONS

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

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

Share capital and variation rights
If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of shares of that class) may, subject to the provisions of Article 70 of the Law, whether or not the Company is being wound up, be amended or abolished with the written

consent of the holders of three-fourths of the issued shares of that class, or with the sanction of an extraordinary resolution approved at a separate general meeting of the holders of the shares of that class. The provisions of these Articles relating to general meetings shall apply to such separate general meetings, mutatis mutandis, but so that the necessary quorum shall be two persons at least holding or representing by proxy one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll and, if at any previously adjourned general meeting of these holders there is not a quorum, the shareholders or shareholders present shall be deemed to form a quorum.

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

Description of rights related to Certificates
The Certificates particularly give the right to payment of nominal value as at the Final Maturity Date of the Certificates and the right to payment of the Discounted Value as at the Early Maturity Date of the Certificates or part of the Discounted Value as at the Partial Early Maturity Date of the Certificates, and the early maturity of the Certificates may occur, in accordance with the Terms of Issue, (i) as a result of a decision of the Company (who can do so every 6 (six) months of the Date of Issue, but at the earliest after 30 (thirty) months of the Date of Issue, always at least 30 (thirty) days, but at the earliest 90 (ninety) days prior to that day), (ii) as a result of a decision of the Meeting (in the event of default in payment, infringement of the Company's specific obligations, failure to satisfy other Company's debts (a so-called Cross-Default), Company's transformation or insolvency, liquidation, etc. of the Company), (iii) as a result of a decision of a particular Certificate Owner, provided the Certificate Owner does not agree with the Meeting's decision on the matter under (ii), and/or (iv) as a result of the Sale of Assets, save for a) Sale of Assets within the Group, or between a Group member and the one who is controlled by the same person as the Company; or b) in the event that the amount of payment obtained by the Company from the Sale of Assets or directly related Sales of Assets net of all the efficiently incurred costs and reimbursement of all the related tax liabilities is lower than CZK 100,000,000 (and it may only be partial early maturity). Further, the Certificates give the right to request in the Events of Default for convening a Meeting, which shall decide on the early redemption of the Certificates. Also, the Certificates give the right to participate in and vote at meetings of the Certificate Owners, provided such meeting is convened in accordance with the Terms of Issue.

6. DECISION MAKING PROCEDURES

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

7. BOARD OF DIRECTORS

The members of the Group's Board of Directors as at 31 December 2018 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 31 December 2018.

In accordance with the Company's Articles of Association all Directors presently members of the Board continue in office. The statutory body of Gramexo PLC (the issuer) is the Board of Directors, which has two members - the directors acting on its behalf independently. The Directors are elected and dismissed by the General Meeting. In the performance of their duties, directors are governed among others instructions given by the General Meeting if they are in accordance with legal regulations and statutes. The Board of Directors may have two or more members under the Articles of Association, and the number of members of the Board of Directors is not at all limited. At present the board has two members. The members of the Board of Directors as at 31 December 2018 and at the date of the signing of these accounts, are Mrs. Ivana Tollarovicova and Mr. Nicolas Italos.

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

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

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

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

The Director's remuneration are to be fixed by the Board of Directors of the Company and for year 2018 are in the amount of CZK24.209 (2017: CZK25.747). There were no other Directors' salaries and remuneration. Also the Directors do not have shares or options to acquire shares of the Group.

8. OTHER INFORMATION

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

Existence of branches
The Group does not maintain any branches

Staff costs
Staff cost for the year ended 31 December 2018 were CZK Nil (2017: CZK Nil) since the Group had no employees.

Internal controls
The Group does not apply any internal control principles, strategies and rules for the treatment of risks other than as disclosed in note 7 of the financial statements.

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

The Board of Directors of Gramexo PLC is responsible for:

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

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

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

Operating Environment of the Group
Any significant events that relate to the operating environment of the Group are described in note 26 to the consolidated financial statements.

Events after the reporting period
In accordance with an agreement signed on 23 May 2019 for the sale of 100% shareholding interest in Rustonka Development s.r.o. between Gramexo Plc as the "Seller" and a third party entity as the "Buyer", Gramexo agrees to

sell and transfer to the Buyer and Buyer agrees to purchase and accept from the Seller the shareholding interest on the closing date of 29 May 2019. The transfer of the shareholding interest agreement was executed on 29 May 2019 and on the same date the preliminary purchase price in the amount of EUR63.824.867 (equivalent to TCZK1.650.575) was paid by the Buyer to the Seller for the shareholding interest. Due to contingencies in the calculation of the purchase price, the effect of the transaction could not be reliably calculated. Once the final purchase price is calculated, the difference will be paid by the Buyer to the Seller or refunded by the Seller to the Buyer and the profit will also be adjusted accordingly.

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

GRAMEXO PLC as the issuer of unsecured securities, RUSTONKA 0.00 / 21 certificates with discount-based proceeds with a nominal value of each CZK 30,000 certificate with issue date 13. September 2016 and with due maturity in 2021 ("Certificates") has published on its website that in accordance with Clause 5.4, in conjunction with Clause 5.2 of the Certification Terms and Conditions, it will made the Certificates due on 13 September 2019 ("Early Maturity Date"). The company shall repay the Discounted Value of Certificates in the amount of CZK 27,081.90 for each one of the Certificates on the Day of Early Maturity of the Certificates to any person who will be the Owner of Certificates at the end of 14 August 2019 (the so-called Decisive Date for the Redemption Value) within the meaning of Article 6.3 (b)) of the emission conditions of the Certificates. The rules for making payments are governed in particular by Article 6.4 of the Issuance Conditions of Certificates. The reason for the early maturity of the Certificates is the fact that GRAMEXO PLC has realized the sale of a 100% ownership interest in Rustonka Development s.r.o., to the buyer, on the basis of a share transfer agreement and net income from the sale of ownership interests is higher than the Discounted Value of all Certificates (as defined in Clause 5.4 of the Certification Terms and Conditions).

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

Related party transactions
Disclosed in note 27 of the consolidated financial statements.

Independent Auditors
The Independent Auditors, KPMG 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.

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

Directors' declaration
We declare that the annual consolidated financial statements of the Group that are presented on pages 17 to 64 were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, and in accordance with the provisions of Article 9, section (4) of the Law, and give a true and fair view of the assets and liabilities, the financial position and the profit or losses of the Group. We further declare that the Management report gives a fair view of the developments and performance of the business as well as the financial position of the Group, together with a description of the principal risks and uncertainties that it is facing.

By order of the Board of Directors,

Ivana Tollarovicova
Director

Nicosia, 17 December 2019

Nicolas Italos
Director

Nicosia, 17 December 2019

KPMG Limited
Chartered Accountants
14 Esperidon Street, 1087 Nicosia, Cyprus
P.O. Box 21121, 1502 Nicosia, Cyprus
T: +357 22 209000, F: +357 22 678200

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

GRAMEXO PLC

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Gramexo Plc (the "Company") and its subsidiaries (the "Group"), which are presented on pages 17 to 63 and comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time (the "Companies Law, Cap.113").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *"Auditors' responsibilities for the audit of the consolidated financial statements"* section of our report. We remained independent of the Company throughout the period of our appointment in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants ("IESBA Code") and the ethical requirements in Cyprus that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG Limited, a private company limited by shares,registered in Cyprus under registration number HE 132822 with its registered office at 14, Esperidon Street,1087, Nicosia, Cyprus.

Limassol
P.O. Box 50161, 3601
T: +357 25 869000
F: +357 25 363842

Larnaca
P.O. Box 40075, 6300
T: +357 24 200000
F: +357 24 200200

Paphos
P.O Box 60288, 8101
T: +357 26 943050
F: +357 26 943062

Paralimni / Ayia Napa
P.O. Box 33200, 5311
T: +357 23 820080
F: +357 23 820084

Polis Chrysochous
P.O. Box 66014, 8330
T: +357 26 322098
F: +357 26 322722

Key audit matters

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

Valuation of investment properties

Refer to note 14 to the consolidated financial statements.

The key audit matter

As at 31 December 2018, the Group has a significant holding of investment properties representing approximately 97% of total assets.

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

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

How the matter was addressed in our audit

Our audit procedures included among others:
1) Assessment on a sample basis, using our own internal valuation specialist, the appropriateness of the valuation methodology and reasonableness of the assumptions and estimates used by management in measuring the fair value of the investment properties held by the Group;

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

3) For the investment properties which were disposed post year-end as a result of the sale of the shares of the Group's subsidiary Company, Rustonka Development s.r.o., we have compared the fair value as at 31 December 2018, based on valuation by independent expert engaged by the management, to the sale price post year-end, as per the sale agreement.

Going Concern

Refer to Note 3 to the consolidated financial statements.

The key audit matter

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

For the year 2018 even though the Group made a profit of CZK1.661.399.004 and, as at 31 December 2018 had a positive equity of CZK1.900.371.331, the Group's current liabilities continued to exceed its current assets by CZK112.527.354.

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

How the matter was addressed in our audit

Our audit procedures included among others:
1) Inspection of the new credit facility agreements with Postova banka a.s. and UniCredit Bank Czech Republic and Slovakia a.s. and whether these provide adequate financing to settle the group's existing liabilities falling due within the next twelve months;
2) Inspection of the sale agreement for the sale of the subsidiary Rustonka Development s.r.o. and and assessment of cash inflows from the sale;
3) Evaluation of the marketability of the investment properties and assessment of the likely cash inflows with regards to their future disposal and from rental income;
4) Discussion with management for their future plans for settling the Group's liabilities as they fall due;
5) Enquired and analysed the ability of the Group to repay or refinance the bonds and the long term loans maturing on specific dates longer than one year.

Other information

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

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

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

With regards to the management report, our report in this regard is presented in the *"Report on other legal requirements"* section.

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

Responsibilities of the Board of Directors and those charged with governance for the consolidated financial statements *(continued)*

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

The Board of Directors and those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

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

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

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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with 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 auditors'report.

Report on other legal requirements

Other regulatory requirements

Pursuant to the requirements of Article 10(2) of European Union (EU) Regulation 537/2014 we provide the following information in our Independent Auditors' Report, which is required in addition to the requirements of ISAs.

Date of appointment and period of engagement

We were appointed auditors on 26 March 2018 to audit the consolidated financial statements of the Group for the year ended 31 December 2017. We were re-appointed on 30 January 2019 to audit the consolidated financial statements of the Group for the year ended 31 December 2018. Our total uninterrupted period of engagement is 2 years covering the periods ending 31 December 2017 to 31 December 2018.

Consistency of auditors' report to the additional report to the Board of Directors

We confirm that our audit opinion is consistent with the additional report sent to the Board of Directors on 31 May 2019.

Provision of Non-audit Services ('NAS')

We have not provided any prohibited NAS referred to in Article 5 of EU Regulation 537/2014 as applied by Section 72 of the Auditors Law of 2017, L.53(I)2017, as amended from time to time ("Law L53(I)/2017").

Other legal requirements

Pursuant to the additional requirements of law L.53(I)/2017, and based on the work undertaken in the course of our audit, we report the following:

- In our opinion, the management report, the preparation of which is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Companies Law, Cap 113, and the information given is consistent with the consolidated financial statements.
- In the light of the knowledge and understanding of the business and the Group's environment obtained in the course of the audit, we have not identified material misstatements in the management report.

Report on other legal requirements *(continued)*

- In our opinion, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Companies Law, Cap.113, and which is included as a specific section of the consolidated Management Report, have been prepared in accordance with the requirements of the Companies Law, Cap.113, and is consistent with the consolidated financial statements.

Other Matter

Audit Committee

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

Other

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of Law L.53(I)/2017, and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

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

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

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2018

	Note	**2018 CZK**	2017 CZK
Revenue	9	**56.124.796**	119.000
Other operating income	10	**488.185**	1.257.985
Fair value gains on investment property	14	**2.123.363.896**	412.270.152
Administration expenses	11	**(23.142.389)**	(12.332.561)
Operating profit		**2.156.834.488**	401.314.576
Finance income	12	**96**	2.766.107
Finance costs	12	**(95.423.565)**	(9.620.527)
Profit before tax		**2.061.411.019**	394.460.156
Tax	13	**(400.012.015)**	(61.789.478)
Net profit for the year		**1.661.399.004**	332.670.678
Other comprehensive income		**-**	-
Total comprehensive income for the year		**1.661.399.004**	332.670.678

The notes on pages 21 to 63 form an integral part of these consolidated financial statements.

GRAMEXO PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2018

	Note	2018 CZK	2017 CZK
ASSETS			
Non-current assets			
Investment properties	14	**4.874.040.085**	1.950.759.000
Intangible assets		**113.408**	108.000
Trade and other receivables	16	**-**	4.217.000
		4.874.153.493	1.955.084.000
Current assets			
Trade and other receivables	16	**77.999.838**	14.284.480
Cash and cash equivalents	17	**50.108.654**	2.444.916
		128.108.492	16.729.396
Total assets		**5.002.261.985**	1.971.813.396
EQUITY AND LIABILITIES			
Equity			
Share capital	18	**702.094**	702.094
Other reserves	19	**(56.317.703)**	(56.317.703)
Retained earnings		**1.955.986.940**	294.587.936
Total equity		**1.900.371.331**	238.972.327
Non-current liabilities			
Borrowings	20	**2.387.718.179**	1.497.511.357
Trade and other payables	22	**-**	1.327.000
Deferred tax liabilities	21	**473.536.629**	74.517.000
		2.861.254.808	1.573.355.357
Current liabilities			
Trade and other payables	22	**231.686.815**	124.689.147
Borrowings	20	**8.341.894**	33.853.000
Current tax liabilities	23	**607.137**	943.565
		240.635.846	159.485.712
Total liabilities		**3.101.890.654**	1.732.841.069
Total equity and liabilities		**5.002.261.985**	1.971.813.396

On 31 May 2019 the Board of Directors of Gramexo PLC authorised these consolidated financial statements for issue.

.....
Ivana Tollarovicova
Director

.....
Nicolas Italos
Director

The notes on pages 21 to 63 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Share capital CZK	Other reserves CZK	Retained earnings CZK	Total CZK
Balance at 1 January 2017	**702.094**	**(56.317.703)**	**(38.082.742)**	**(93.698.351)**
Comprehensive income				
Net profit for the year	-	-	332.670.678	332.670.678
Balance at 31 December 2017 / 1 January 2018	**702.094**	**(56.317.703)**	**294.587.936**	**238.972.327**
Comprehensive income				
Net profit for the year	-	-	1.661.399.004	1.661.399.004
Balance at 31 December 2018	**702.094**	**(56.317.703)**	**1.955.986.940**	**1.900.371.331**

The notes on pages 21 to 63 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2018

	Note	2018 CZK	2017 CZK
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**2.061.411.019**	394.460.156
Adjustments for:			
Amortisation of intangible assets		**22.468**	21.000
Fair value gains on investment property	14	**(2.123.363.896)**	(412.270.152)
Interest income	12	**(96)**	-
Interest expense	12	**76.875.135**	9.620.527
Exchange difference		**6.682.268**	(107.755)
		21.626.898	(8.276.224)
Changes in working capital:			
Increase in trade and other receivables		**(59.503.211)**	(13.267.515)
Increase in trade and other payables		**105.675.521**	17.085.713
Cash generated from / (used in) operations		**67.799.208**	(4.458.026)
Tax paid		**(1.328.814)**	(60.306)
Net cash generated from / (used in) operating activities		**66.470.394**	(4.518.332)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for construction of investment property	14	**(785.514.333)**	(480.125.985)
Interest received		**96**	-
Net cash used in investing activities		**(785.514.237)**	(480.125.985)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings		**(728.132.000)**	-
Proceeds from borrowings		**1.547.097.581**	483.364.533
Interest paid		**(52.258.000)**	-
Net cash generated from financing activities		**766.707.581**	483.364.533
Net increase / (decrease) in cash and cash equivalents		**47.663.738**	(1.279.784)
Cash and cash equivalents at beginning of the year		**2.444.916**	3.724.700
Cash and cash equivalents at end of the year	17	**50.108.654**	2.444.916

The notes on pages 21 to 63 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2018

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 and in 2016 the status of the Company changed to public limited company. The Company has listed bonds in Prague Stock Exchange. Its registered office is at Klimentos, 41-43, Klimentos Tower, 1st floor, Flat/Office 12, 1061 Nicosia, Cyprus.

Principal activities and nature of operations of the Group

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

2. Statement of compliance and basis of measurement

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

3. Going concern basis

Even though the Group has made a profit of CZK1.661.399.004 during the year ended 31 December 2018 as at that date the Group's current liabilities exceeded its current assets by CZK112.527.354. The Group's Financial Statements have been prepared on a going concern basis as management is of the opinion that the Group will be able to repay its obligations as they full due for the following reasons:

a) Its current liabilities will be financed out of available existing and new credit facilities;

b) The Group is expected to generate proceeds from futures rental income;

c) The bonds issued are expected to be settled from cash flows generated from the sale of subsidiary Rustonka Development s.r.o., which was sold on 29 May 2019 for TCZK1.650.575 (see note 30 for the details).

4. Changes in significant accounting policies

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2018. The adoption of IFRS 15 "Revenue from contracts with customers" did not had a material effect on the accounting policies of the Company. However, the adoption of IFRS 9 "Financial Instruments" had a material effect on the accounting policies of the Company.

A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Company's financial statements.

As explained below (note 4(i)), in accordance with the transition provisions of IFRS 9, the Company has elected the simplified approach for adoption of this standard. Accordingly, IFRS 9 was adopted without restating the comparative information for year 2017. The comparative information is prepared in accordance with IAS 39, and the impact of adoption has been recognised in the opening retained earnings as at 1 January 2018.

The following table summarizes the impact of adoption of the new standard for each individual line item of the statement of financial position. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

4. Changes in significant accounting policies (continued)

(i) IFRS 9 "Financial instruments"

(a) Impact on the consolidated statement of financial position

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 CZK	Effect of adoption of IFRS 9 CZK	New carrying amount under IFRS 9 CZK
Financial assets						
Trade and other receivables	16	Loans and receivables	Amortised cost	15.037.597	-	15.037.597
Cash and cash equivalents	17	Loans and receivables	Amortised cost	2.439.916	-	2.439.916
Total financial assets				17.477.513	-	17.477.513
Financial liabilities						
Unsecured bond issues	20	Other financial liabilities	Other financial liabilities	962.050.452	-	962.050.452
Credit facilities	20	Other financial liabilities	Other financial liabilities	569.313.905	-	569.313.905
Trade and other payables	22	Other financial liabilities	Other financial liabilities	121.760.079	-	121.760.079
Total financial liabilities				1.653.124.436	-	1.653.124.436

(1) Cash and cash equivalents that were previously classified as loans and receivables are now classified at amortised cost. The Group considers that cash at bank is held with the business model whose objective is achieved by collecting contractual cash flows. Cash at bank comprise of cash deposited in current accounts that have contractual terms giving rise to cash flows that are solely payments of principal and interest.

(b) Reconciliation of carrying amounts

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018.

	IAS 39 carrying amount at 31 December 2017 CZK	Reclassifications CZK	Remeasurement CZK	IFRS 9 carrying amount at 1 January 2018 CZK
Financial assets				
Amortised cost				
Cash at bank:				
Brought forward: Loans and receivables	2.439.916	-	-	-
Remeasurement	-	-	-	-
Carried forward: Amortised cost	-	-	-	2.439.916
Trade and other receivables:				
Brought forward: Loans and receivables	15.037.597	-	-	-
Remeasurement	-	-	-	-
Carried forward: Amortised cost	-	-	-	15.037.597
Total amortised cost	17.477.513	-	-	17.477.513

IFRS 9 "Financial instruments" replaces the provisions of IAS 39 that relate to recognition and derecognition of financial instruments, and classification and measurement of financial assets and financial liabilities. IFRS 9 further introduces new principles for hedge accounting and a new forward-looking impairment model for financial assets.

4. Changes in significant accounting policies (continued)

(i) IFRS 9 "Financial instruments" (continued)

IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available-for-sale.

The new standard requires financial assets to be classified into three measurement categories: those to be measured subsequently at fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL) and those to be measured at amortised cost. The determination is made at initial recognition. For debt financial assets the classification depends on the entity's business model for managing its financial instruments and the contractual cash flows characteristics of the instruments. For equity financial assets it depends on the entity's intentions and designation.

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

In particular, assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest are measured at amortised cost. Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Lastly, assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

For investments in equity instruments that are not held for trading, the classification depends on whether the entity has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. If no such election has been made or the investments in equity instruments are held for trading they are required to be classified at fair value through profit or loss.

The election can be made on an instrument-by-instrument basis.

IFRS 9 also introduces a single impairment model applicable for debt instruments at amortised cost or at fair value through other comprehensive income, contract assets, lease receivables, loan commitments and financial guarantee contracts issued, and removes the need for a triggering event to be necessary for recognition of impairment losses. The new impairment model under IFRS 9 requires the recognition of allowances for doubtful debts based on expected credit losses (ECL), rather than incurred credit losses as under IAS 39. The standard further introduces a simplified approach for calculating impairment on trade receivables as well as for calculating impairment on contract assets and lease receivables; which also fall within the scope of the impairment requirements of IFRS 9.

The new impairment model does not apply to investments in equity instruments.

For financial liabilities, the standard retains most of the requirements of IAS 39. The main change is that, in case where the fair value option is taken for financial liabilities, the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and the remaining amount of change in the fair value is presented in profit or loss. There are two exceptions to this split presentation: a) if split presentation would create or enlarge an accounting mismatch in profit or loss; or b) if the financial liability is a loan commitment or a financial guarantee contract. In these cases, all gains and losses are presented in profit or loss.

With the introduction of IFRS 9 "Financial Instruments", the IASB confirmed that gains or losses that result from modification of financial liabilities that do not result in derecognition shall be recognised in profit or loss.

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedge ratio" to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

The Group has adopted IFRS 9 with a date of transition of 1 January 2018, which resulted in changes in accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets.

The Group's new accounting policies following adoption of IFRS 9 at 1 January 2018 are set out in note 5.

4. Changes in significant accounting policies (continued)

(i) IFRS 9 "Financial instruments" (continued)

Impact of adoption

In accordance with the transition provisions in IFRS 9, the Group has elected the simplified transition method for adopting the new standard. Accordingly, the effect of transition to IFRS 9 was recognised as at 1 January 2018 as an adjustment to the opening retained earnings (or other components of equity, as appropriate). In accordance with the transition method elected by the Group for implementation of IFRS 9 the comparatives have not been restated but are stated based on the previous policies which comply with IAS 39. Consequently, the revised requirements of IFRS 7 "Financial Instruments: Disclosures" have only been applied to the current period. The comparative period disclosures repeat those disclosures made in the prior year.

On 1 January 2018 for debt instruments held by the Group, management has assessed which business models apply to the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI test). In addition separate assessment for equity instruments held by the Group was performed, in respect of whether they are held for trading or not. As a result of both assessments Management has classified its debt and equity instruments into the appropriate IFRS 9 categories.

As a result of the adoption of IFRS 9 the Group revised its impairment methodology for each class of assets subject to the new impairment requirements. From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI, cash and cash equivalents and bank deposits with original maturity over 3 months, loan commitments and financial guarantees. The impairment methodology applied depends on whether there has been a significant increase in credit risk and, whether the debt investments qualify as low credit risk.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occuring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The Group has the following types of assets that are subject to IFRS 9's new expected credit loss model: trade and other receivables and cash and cash equivalents.

For assets in the scope of IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9 impairment requirements at 1 January 2018 results in an additional allowance for impairment as follows.

	CZK
Loss allowance at 31 December 2017 under IAS 39	-
Additional impairment recognised at 1 January 2018 on:	
Trade and other receivables	-
Loss allowance at 1 January 2018 under IFRS 9	**-**

At 31 December 2017, all of the Group's financial liabilities were carried at amortised cost. Starting from 1 January 2018 the Group's financial liabilities continued to be classified at amortised cost.

4. Changes in significant accounting policies (continued)

(i) IFRS 9 "Financial instruments" (continued)

Additional information about how the Group measures the allowance for impairment is described in note 7.

The assessment of the impact of adoption of IFRS 9 on the Company's accounting policies required management to make certain critical judgments in the process of applying the principles of the new standard. The judgments that had the most significant effect on Management's conclusion are disclosed in note 8.

(ii) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 "Revenue from contracts with customers" and related amendments superseded IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations. The new standard replaces the separate models for recognition of revenue for the sale of goods, services and construction contracts under previous IFRS and establishes uniform requirements regarding the nature, amount and timing of revenue recognition. IFRS 15 introduces the core principle that revenue must be recognised in such a way to depict the transfer of goods or services to customers and reflect the consideration that the entity expects to be entitled to in exchange for transferring those goods or services to the customer; the transaction price.

The new standard provides a principle based five step model that must be applied to all categories of contracts with customers. Any bundled goods or services must be assessed as to whether they contain one or more performance obligations (that is, distinct promises to provide a good or service). Individual performance obligations must be recognised and accounted for separately and any discounts or rebates in the contract price must generally be allocated to each of them.

The amendments to IFRS 15 clarify how to identify a performance obligation in a contract, how to determine whether a Company is a principal (that is, the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided) and how to determine whether the revenue from granting a license should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a Company when it first applies the new standard.

Impact of adoption

There was no impact on the adoption of the new standard IFRS 15 as the Group's revenue contracts relate to operating leases, and were commenced in 2018.

5. Significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 9 and IFRS 15 effective from 1 January 2018 (see note 4), these policies have been consistently applied to all the years presented, unless otherwise stated. The principal accounting policies in respect of financial instruments and revenue recognition applied till 31 December 2017 are presented in note 29.

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., Rustonka Development II s.r.o. and Rustonka Court s.r.o. (note 15).

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.

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

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

5. Significant accounting policies (continued)

Business combinations (continued)

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

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

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

Segmental reporting

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

Finance income

Interest income is 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.

5. Significant accounting policies (continued)

Tax (continued)

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

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

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

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

Dividends

Dividend distribution to the 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 of property under development, shops and office buildings, is held for long-term rental yields and/or for capital appreciation and is not occupied by the Group. Investment property is carried at fair value, representing open market value determined annually by external valuers or management's estimate. Under IAS 40 -'Investment property', changes in fair values are recorded in profit or loss.

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.

Transfers to, or from, investment property is made only when there is a change in use, evidenced by:

- commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- commencement of development with a view to sale, for a transfer from investment property to trading properties;
- end of owner-occupation, for a transfer from owner-occupied property to investment property;
- or commencement of an operating lease to another party, for a transfer from trading properties to investment property.

When the use of a property changes such that it is reclassified as property, plant and equipment or trading properties, its fair value at the date of reclassification becomes its cost for subsequent accounting.

5. Significant accounting policies (continued)

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.

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). Non financial assets, other than goodwill, that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial assets - Classification - policy applicable from 1 January 2018

From 1 January 2018, on initial recognition, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss (FVTPL), and;
- those to be measured subsequently at fair value through OCI (FVOCI)- debt investment or equity investment, and;
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Group may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

5. Significant accounting policies (continued)

Financial assets - Classification - policy applicable from 1 January 2018 (continued)

For investments in equity instruments that are not held for trading, classification will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). This election is made on an investment-by-investment basis.

All other financial assets not classified as measured at amortised cost or FVOCI, are classified as measured at FVTPL.

Financial assets are not reclassified subsequently to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Financial assets – Business model assessment: Policy applicable from 1 January 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a group level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the group and the operation of those policies in practice. The includes management's strategy which focuses on a) earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the payable bonds b) expected cash outflows and c) realising cash flows through rental income and/or the sale of the investment property;

- the performance of the group is evaluated based on the revenue generated and the projected cash flows of the projects under construction;

- the risks that affect the performance of the business model (and the financial assets held within the business model) are evaluated based on a) the performance of the finished buildings b) the macroeconomics of Czech Republic and c) the fair value of the projects through annual valuation report.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 January 2018.

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

Financial assets - Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Group commits to deliver a financial instrument. All other purchases and sales are recognised when the entity becomes a party to the contractual provisions of the instrument.

5. Significant accounting policies (continued)

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 the risks and rewards of ownership.

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

Financial assets - Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention (''regular way'' purchases and sales) are recorded at trade date, which is the date when the Company commits to deliver a financial instrument. All other purchases and sales are recognised when the entity becomes a party to the contractual provisions of the instrument.

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

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

Financial assets - Measurement - policy applicable from 1 January 2018

At initial recognition, the Group measures a financial asset (unless it is a trade receivable without a significant financing component) at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

<u>Debt instruments</u>

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: financial assets that are not designated as at FVTPL and are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest (SPPI) are subsequently measured at amortised cost using the effective interest method. Interest income from these financial assets is included in profit or loss and presented in "other income". Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are recognised in profit or loss and are presented as separate line item in the statement of comprehensive income. Financial assets measured at amortised cost (AC) comprise: cash and cash equivalents, bank deposits with original maturity over 3 months, trade receivables and financial assets at amortised cost.

5. Significant accounting policies (continued)

Financial assets - Measurement - policy applicable from 1 January 2018 (continued)

FVOCI: debt investments that are not designated as at FVTPL and are held for collection of both contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are subsequently measured at fair value. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets calculated using the effective interest method is included in "other income" in profit or loss. Foreign exchange gains and losses are presented in "other gains/(losses)" and impairment expenses are presented as separate line item in the statement of comprehensive income.

FVTPL: financial assets that do not meet the criteria for amortised cost or FVOCI are subsquently measured at fair value. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within "other gains/(losses)" in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. The Group's policy is to designate equity investments as FVOCI when those investments are held for strategic purposes other than solely to generate investment returns. Dividends from such investments continue to be recognised in profit or loss as "other income" when the Group's right to receive payments is established, unless they clearly represent a repayment of part of the cost of the investment.

Changes in the fair value of financial assets at FVTPL are recognised in "other gains/(losses)" in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Financial assets - impairment - credit loss allowance for ECL - policy applicable from 1 January 2018

From 1 January 2018, the Group assesses on a forward-looking basis the ECL for financial assets (including loans) measured at AC, debt investments measured at FVOCI and contract assets with the exposure arising from loan commitments and financial guarantee contracts. The Group measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss, in the statement of comprehensive income within "net impairment losses on financial and contract assets".

Financial assets measured at AC are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantee contracts, a separate provision for ECL is recognised as a liability in the statement of financial position.

For debt investments measured at FVOCI, an allowance for ECL is recognised in profit or loss and it affects fair value gains or losses recognised in OCI rather than the carrying amount of those instruments.

Expected losses are recognised and measured according to one of two approaches: general approach or simplified approach.

5. Significant accounting policies (continued)

Financial assets - impairment - credit loss allowance for ECL - policy applicable from 1 January 2018 (continued)

For trade receivables including trade receivables with a significant financing component and contract assets and lease receivables the Group applies the simplified approach permitted by IFRS 9, which uses lifetime expected losses to be recognised from initial recognition of the financial assets.

For all other financial asset that are subject to impairment under IFRS 9, the Group applies the general approach - three stage model for impairment. The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition and for which credit risk has not significantly increased since initial recognition is classified in Stage 1 (investment grade).

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to note 7, Credit risk section, for a description of how the Group determines when a SICR has occurred. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Group's definition of credit impaired assets and definition of default is explained in note 7, Credit risk section.

Evidence that a financial asset is credit-impaired includes the following observable data: significant financial difficulty of the borrower or issuer, a breach of contract such as a default or being more that 90 days past due, the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise, it is probable that the borrower will enter bankruptcy or other financial reorganisation or the disappearance of an active market for a security because of financial difficulties.

Additionally the Group has decided to use the low credit risk assessment exemption for investment grade financial assets. Refer to note 7, Credit risk section for a description of how the Group determines low credit risk financial assets.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Financial assets - Reclassification - policy applicable from 1 January 2018

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

Financial assets - write-off - policy applicable from 1 January 2018

Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

5. Significant accounting policies (continued)

Financial assets - modification - policy applicable from 1 January 2018

The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Financial assets at amortised cost

These amounts generally arise from transactions outside the usual operating activities of the Group. These are held with the objective to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Financial assets at amortised cost are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

Financial liabilities - measurement categories

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

IFRS 15 "Revenue from Contracts with Customers"

The Group has initially applied IFRS 15 from 1 January 2018. The effect of initially applied IFRS 15 is described in note 4.

5. Significant accounting policies (continued)

Revenue

Revenue principally comprises of rental income.

Rental income

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried 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. 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 consolidated statement of financial position date.

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 (for liquidity services) and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners and is recognised directly to equity.

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.

5. Significant accounting policies (continued)

Borrowings (continued)

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.

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

Trade payables

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

Offsetting financial instruments

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

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.

Comparatives

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

5. Significant accounting policies (continued)

Fair value measurement

"Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

6. New accounting pronouncements

As from 1 January 2018, the Group adopted all changes to International Financial Reporting Standards (IFRSs) as adopted by EU, which are relevant to its operations. This adoption did not have a material effect on the financial statements of the Group except for the adoption of IFRS 9 (note 4).

Standards issued but not yet effective

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

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

- *IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019).*
  IFRS 16 replaces existing leases guidance including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The standard introduces a single, on-balance sheet lease accounting model for lessees. IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. The previous distinction between operating and finance leases is removed for lessees. Instead, a lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

- *Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017) (effective for annual periods beginning on or after 1 January 2019).*
  In October 2017, the IASB issued "Prepayment Features with Negative Compensation (Amendments to IFRS 9)". The amendments address the issue that under pre-amended IFRS 9, financial assets with such features would probably not meet the SPPI criterion and as such would be measured at fair value through profit or loss. The IASB believes that this would not be appropriate because measuring them at amortised cost provides useful information about the amount, timing and uncertainty of their future cash flows. Financial assets with these prepayment features can therefore be measured at amortised cost or fair value through other comprehensive income provided that they meet the other relevant requirements of IFRS 9. The final amendments also contain a clarification in the accounting for a modification or exchange of a financial liability measured at amortised cost that does not result in the derecognition of the financial liability. Based on the clarification, an entity recognises any adjustment to the amortised cost of the financial liability arising from a modification or exchange in profit or loss at the date of the modification or exchange.

6. New accounting pronouncements (continued)

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

New IFRICs

- *IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments" (effective for annual periods beginning on or after 1 January 2019).*
  IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency. The key test is whether it is probable that the tax authority will accept the chosen tax treatment, on the assumption that tax authorities will have full knowledge of all relevant information in assessing a proposed tax treatment. The uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty being either the most likely amount or the expected value. The interpretation also requires companies to reassess the judgements and estimates applied if facts and circumstances change. IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements in relation to judgements made, assumptions and estimates used, and the potential impact of uncertainties that are not reflected.

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

New standards

- *IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021).*
  In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

Amendments

- *Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018) (effective for annual periods beginning on or after 1 January 2020).*
  The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose consolidated financial statements make on the basis of those consolidated financial statements, which provide financial information about a specific reporting entity.

- *Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017) (effective for annual periods beginning on or after 1 January 2019).*
  The amendments clarify that an entity applies IFRS 9 "Financial Instruments", including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

- *Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018) (effective for annual periods beginning on or after 1 January 2019).*
  In February 2018, the IASB issued amendments to the guidance in IAS 19 "Employee Benefits", in connection with accounting for planned amendments, curtailments and settlements.

6. New accounting pronouncements (continued)

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

- *Annual Improvements to IFRSs 2015-2017 Cycle (issued on 12 December 2017) (effective for annual periods beginning on or after 1 January 2019)*
  In December 2017, the IASB published Annual Improvements to IFRSs 2015-2017 Cycle, containing the following amendments to IFRSs:
  - IFRS 3 "Business Combinations" and IFRS 11 "Joint Arrangements". The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest in that business at fair value. The amendments to IFRS 11 clarify that when an entity maintains (or obtains) joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
  - IAS 12 "Income Taxes": the amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) are recognised consistently with the transactions that generated the distributable profits - i.e. in profit or loss, OCI or equity.
  -IAS 23 "Borrowing Costs": the amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

- *Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020)*
  In March 2018 the IASB issued a comprehensive set of concepts for financial reporting, the revised "Conceptual Framework for Financial Reporting" (Conceptual Framework), replacing the previous version issued in 2010. The main changes to the framework's principles have implications for how and when assets and liabilities are recognised and derecognised in the financial statements, while some of the concepts in the revised Framework are entirely new (such as the "practical ability" approach to liabilities". To assist companies with the transition, the IASB issued a separate accompanying document "Amendments to References to the Conceptual Framework in IFRS Standards". This document updates some references to previous versions of the Conceptual Framework in IFRS Standards, their accompanying documents and IFRS Practice Statements.

- *Amendment to IFRS 3 Business Combinations (issued on 22 October 2018) (effective for annual periods beginning on or after 1 January 2020)*
  The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term ‘outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a ‘concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets).

- *IFRS 10 (Amendments) and IAS 28 (Amendments) "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date postponed indefinitely).*
  The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (as defined in IFRS 3). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.

6. New accounting pronouncements (continued)

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

7. Financial risk management

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

7.1 Risk management framework
The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the risk management committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its management standards and procedures, aims to maintain a disciplined and constructive control environment.

7.2 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:

	2018	2017
	CZK	CZK
Fixed rate instruments		
Financial liabilities (capital amount)	**(2.274.106.888)**	(1.446.013.479)
	(2.274.106.888)	(1.446.013.479)

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.

7.3 Credit risk
Credit risk arises from cash and cash equivalents and contractual cash flows of debt investments carried at amortised cost.

(i) Risk management

Credit risk is managed on a group basis.

For banks and financial institutions, only independently rated parties with a minimum rating of 'C' are accepted. If borrowers are independently rated, these ratings are used.

Otherwise, if there is no independent rating, management assesses the credit quality of the debtors taking into account its financial position, past experience and other factors. Individual credit limits and credit terms are set based on the credit quality of the debtors in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

7. Financial risk management (continued)

7.3 Credit risk (continued)

(i) Risk management (continued)

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

	2018	2017
	CZK	CZK
Current		
Trade and other receivables	**58.274.527**	15.037.597
Cash at bank	**50.092.929**	2.439.916
	108.367.456	17.477.513

(ii) Impairment of financial assets

The Group has the following types of financial assets that are subject to the expected credit loss model:

- trade and other receivables
- cash and cash equivalents

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables (including those with a significant financing component and lease contracts).

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group defines default as a situation when the debtor is more than 90 days past due on its contractual payments.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

In calculating the expected credit risk, the Group considers with the probability of default (PD) of trade and other receivables based on the Bloomberg Default Risk Function information for the relevant year. The Group also considers the loss given default (LGD) of trade and other receivables based on the Interactive Single Rulebook published by the European Banking Authority.

As at 1 January 2018 and 31 December 2018 the trade receivables were neither past due nor impaired.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 180 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

7. Financial risk management (continued)

7.3 Credit risk (continued)

(ii) Impairment of financial assets (continued)

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. A provision for impairment of trade receivables was established when there was objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or delinquency in payments (more than 120 days overdue) were considered indicators that the trade receivable was impaired. The amount of the provision was the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the effective interest rate.

Cash and cash equivalents

In calculating the expected credit risk the Group considers with the probability of default (PD) of cash at bank, based on the Bloomberg Default Risk Function information for the relevant year. The Group also considers the loss given default (LGD) of cash at bank based on the Interactive Single Rulebook published by European Banking Authority.

The Group provides for credit losses against trade and other receivables, and cash at bank. The following table contains an analysis of the credit risk exposure of each class of financial instruments for which an ECL allowance is recognised. The gross carrying amounts below also represents the Group's maximum exposure to credit risk on these assets as at 31 December 2018.

The following table presents an analysis of the credit quality of debt securities at amortised cost, FVOCI and FVTPL (2017: held-to-maturity, available-for-sale and held-for-trading). It indicates whether assets measured at amortised cost or FVOCI were subject to a 12-month ECL or lifetime ECL allowance and, in the latter case, whether they were credit-impaired:

	2018					2017		
	FVTPL	FVOCI	At amortised cost					
Credit rating		12-month ECL	12-month ECL	Lifetime ECL – not credit impaired	Lifetime ECL – credit impaired	Held for trading	Available for-sale	Held-to maturity
	CZK	CZK	CZK	CZK	CZK	CZK	CZK	CZK
BBB- to AAA	-	-	-	-	-	-	-	-
BB- to BB+	-	-	-	-	-	-	-	-
B- to B+	-	-	-	-	-	-	-	-
C to CCC+	-	-	-	-	-	-	-	-
Without rating	-	-	-	127.908.492	-	-	-	127.908.492
Gross carrying amounts (2017: amortised cost before impairment)	-	-	-	-	-	-	-	-
Loss allowance	-	-	-	-	-	-	-	-
Amortised cost	-	-	-	-	-	-	-	-
Carrying amount	-	-	-	127.908.492	-	-	-	127.908.492

7. Financial risk management (continued)

7.4 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 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 2018	Carrying amounts CZK thousands	Contractual cash flows CZK thousands	Demand and less than a month CZK thousands	1-12 months CZK thousands	1-2 years CZK thousands	2-5 years CZK thousands	More than 5 years CZK thousands
Bonds	1.016.344	1.179.000	-	-	-	1.179.000	-
Credit facilities	1.379.716	1.546.878	-	8.750	5.144	402.534	1.130.450
Trade and other payables	231.687	231.687	-	231.687	-	-	-
	2.627.747	**2.957.565**	**-**	**240.437**	**5.144**	**1.581.534**	**1.130.450**

31 December 2017	Carrying amounts CZK thousands	Contractual cash flows CZK thousands	Demand and less than a month CZK thousands	1-12 months CZK thousands	1-2 years CZK thousands	2-5 years CZK thousands	More than 5 years CZK thousands
Bonds	962.050	1.179.000	-	-	-	1.179.000	-
Credit facilities	569.314	652.355	-	34.917	167.832	449.606	-
Trade and other payables	126.017	126.017	126.017	-	-	-	-
	1.657.381	1.957.372	126.017	34.917	167.832	1.628.606	-

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.

7.5 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.

7. Financial risk management (continued)

7.5 Currency risk (continued)

	Liabilities		Assets	
	2018	2017	**2018**	2017
	CZK	CZK	**CZK**	CZK
Euro	**1.489.655.416**	49.577.825	**26.766.573**	1.726.617
	1.489.655.416	49.577.825	**26.766.573**	1.726.617

A 10% strengthening of the Czech Koruna against the following currencies at 31 December 2018 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the Czech Koruna against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	Equity		Profit or loss	
	2018	2017	**2018**	2017
	CZK	CZK	**CZK**	CZK
Euro	**146.288.884**	4.785.121	**146.288.884**	4.785.121

7.6 Capital risk management
Capital includes equity shares and share premium, convertible preference shares and loan from parent company.

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from last year.

8. Critical accounting estimates and judgments

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

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

Judgments

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

- **Going concern basis**

  Note 3 - the assessment of the Company for the appropriateness of the use of the going concern basis.

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

8. Critical accounting estimates and judgments (continued)

- **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.

- **Impairment of financial assets**

  The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 7, Credit risk section.

Measurement of fair values

- **Valuation of investment properties**

The investment property is carried at fair value of CZK4.874.040.085 (2017: CZK1.950.759.000). Fair values of investment property are determined either by independent appraisers or by management, in both cases based on current market values and conditions. The independent appraisers use their judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the reporting date. In addition to independent appraisers, management uses own expert/specialist knowledge as well. The independent appraisers hold a recognised and relevant professional qualification and are experienced in the geographical locations and segment categories of the properties valued.

The valuation of investment properties requires significant judgment. For accounting estimates and assumptions used as well as sensitivity analysis, refer to Note 14.

Out of the total investment property of CZK4.874.040.085, CZK656.575.813 was valued by management, CZK4.217.464.272 was valued by independent appraisers, (2017: CZK156.560.000 was valued by independent appraisers).

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

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

8. Critical accounting estimates and judgments (continued)

Further information about the assumptions made in measuring fair values is included in notes:

- Note 14 - Investment properties

9. Revenue

	2018	2017
	CZK	CZK
Rental income	**56.124.796**	119.000
	56.124.796	119.000

The Group leases out its fully developed investment properties and generates rental income.

10. Other operating income

	2018	2017
	CZK	CZK
Sundry operating income	**488.185**	1.257.985
	488.185	1.257.985

11. Administration expenses by nature

	2018	2017
	CZK	CZK
Director fees (Note 27.1)	**24.209**	25.747
Depreciation and amortization expense	**22.468**	21.000
Auditors' remuneration	**765.318**	592.656
Auditors' remuneration - prior years	**-**	3.949
Bond administration fee	**1.234.071**	877.219
Bond administration fee - prior year	**-**	(207.066)
Utility bills	**1.884.638**	-
Marketing costs	**2.308.567**	-
Administrative services	**3.997.981**	8.094.427
Accounting fees	**1.346.137**	205.308
Sundry expenses	**257.501**	-
Guarantee expense	**415.923**	2.265.850
Annual company fee	**8.901**	9.466
Repairs and maintenance	**-**	149.100
Professional fees	**10.468.669**	148.515
Rent	**78.750**	63.390
Taxes and charges	**329.256**	83.000
Total expenses	**23.142.389**	12.332.561

The total fees charged by the statutory auditors, KPMG Limited, for the audit of the financial statements for the year ended 31 December 2018 amounts to CZK765.318 (2017: CZK592.656). There are no fees for non-audit services for the current and prior years.

12. Finance income / (costs)

	2018 CZK	2017 CZK
Interest income	96	-
Net foreign exchange profit	-	2.766.107
Finance income	**96**	2.766.107
Net foreign exchange losses	(13.536.335)	-
Interest expense	(76.875.135)	(9.620.527)
Sundry finance expenses	(5.012.095)	-
Finance costs	**(95.423.565)**	(9.620.527)
Net finance costs	**(95.423.469)**	(6.854.420)

See note 14 for capitalised borrowing costs.

13. Tax

	2018 CZK	2017 CZK
Corporation tax - current year	992.386	966.478
Deferred tax - charge (Note 21)	399.019.629	60.823.000
Charge for the year	**400.012.015**	61.789.47

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

	2018 CZK	2017 CZK
Profit before tax	2.061.411.019	394.460.156
Tax calculated at the applicable tax rates	391.832.782	49.307.520
Tax effect of expenses not deductible for tax purposes	8.460.848	7.003.057
Tax effect of allowances and income not subject to tax	149	(65.245.709)
Tax effect of tax losses brought forward	(281.764)	9.744
Tax effect of tax differences from different jurisdictions	-	70.605.953
10% additional charge	-	85.756
Prior year tax	-	23.157
Tax charge	**400.012.015**	61.789.478

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.

14. 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”.

14. 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 CZK	Total CZK
Fair Value hierarchy	**Level 3**	**Level 3**
Balance at 1 January 2017	997.038.000	997.038.000
Additions:		
- Development costs	480.125.985	480.125.985
Capitalised borrowing cost	61.324.863	61.324.863
Net gain/(loss) from fair value adjustments on investment property	412.270.152	412.270.152
Balance at 31 December 2017 / 1 January 2018	1.950.759.000	1.950.759.000
Additions:		
- Development costs	785.514.333	785.514.333
Capitalised borrowing cost	14.402.856	14.402.856
Net gain/(loss) from fair value adjustments on investment property	2.123.363.896	2.123.363.896
Balance at 31 December 2018	**4.874.040.085**	**4.874.040.085**

The interest capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is approximately 5,65% (2017: 4%).

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 21).

The contractual obligations regarding the investment property as at 31 December 2018 are CZK106.667.397 for Rustonka I, CZK78.539.081 for Rustonka II and CZK648.139 for Rustonka Court.

Valuation processes of the Group

The Group's investment properties were valued by management and by independent professionally qualified appraisers 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.

Out of the total investment property of CZK4.874.040.085, CZK656.575.813 was valued by management and CZK4.217.464.272 was valued by independent appraisers (2017: CZK156.560.000 was valued by independent appraisers).

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.

Rustonka Development s.r.o. (Lessor) entered into a lease agreement with a number of 3rd parties (Lessee) whereby the Lessor will lease out buildings to the Lessee.

14. Investment properties (continued)

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
Maintenance costs	Including necessary investments to maintain functionality of the property for its expected useful life;
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;
Costs to complete	These are largely consistent with internal budgets developed by the Group's finance department, based on Management's experience and knowledge of market conditions. Costs to complete also include a reasonable profit margin;
Completion dates	Properties under construction require approval or permits from oversight bodies at various points in the development process, including approval or permits in respect of initial design, zoning, commissioning, and compliance with environmental regulations. Based on Management's experience with similar developments, all relevant permits and approvals are expected to be obtained. However, the completion date of the development may vary depending on, among other factors, the timeliness of obtaining approvals and any remedial action required by the Group.

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

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

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

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

14. Investment properties (continued)

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

Information about fair value measurements using significant unobservable inputs (Level 3)
As at 31 December 2018:

									Level 3 range of unobservable inputs				
Property located in Czech Republic	**Type of property**	**Valuation CZK**	**Appraiser**	**Valuation method**	**Square meters land/ offices & retail**	**Number of parking spaces**	**Yield used**	**Average price per square meter CZK**	**Average monthly rent per square meter for office & retail CZK**	**Average monthly rent per parking space CZK**	**Average construction costs per square meter of office & retail CZK**	**Average construction costs per square meter of parking CZK**	**Developer's % profit**
Rustonka Court	Land	58.209.031	Management - internal	Residual approach	2.628	86	6,25%	22.150	374	2.444	22.039	19.000	10%
Rustonka II	Building under construction	576.771.507	Management - internal	Residual approach	16.328	194	6,0%	35.324	367	2.298	25.000	20.447	15%
Rustonka 1	Land	21.595.275	Management - internal	Market comparison	2.691	-	-	8.025	-	-	-	-	-
Rustonka 1 Building A	Building	1.349.898.295	C&W LTD - external	Income approach	15.322	161	4,8%	87.805	359	2.572	-	-	-
Rustonka 1 Building B	Building	1.447.978.860	C&W LTD - external	Income approach	15.444	161	4,8%	93.437	361	2.572	-	-	-
Rustonka 1 Building C	Building under construction	1.419.587.117	C&W LTD - external	Income approach	15.718	161	4,8%	90.008	359	2.572	-	-	-
Fair value at 31 December 2018		**4.874.040.085**											

14. Investment properties (continued)

		Valuations resulting from the following changes in significant inputs									
Property located in Czech Republic	**Type of property**	**Increase of 0,5% in yield CZK**	**Decrease of 0,5% in yield CZK**	**Increase of 5% in average price per square meter CZK**	**Decrease of 5% in average price per square meter CZK**	**Increase of 5% in average monthly rent per square meter CZK**	**Decrease of 5% in average monthly rent per square meter CZK**	**Increase of 5% in average construction costs per square meter CZK**	**Decrease of 5% in average construction costs per square meter CZK**	**Increase of 0,5% in the developers profit CZK**	**Decrease of 0,5% in the developers profit CZK**
Rustonka Court	Land	53.522.309	62.865.753	-	-	61.119.483	55.298.579	55.298.579	61.119.483	55.298.579	61.119.483
Rustonka II	Building under construction	528.707.215	624.835.799	-	-	605.610.082	547.932.932	547.932.932	605.610.082	557.545.790	595.997.224
Rustonka 1	Land	19.867.653	23.322.897	22.675.039	20.515.511	-	-	-	-	-	-
Rustonka 1 Building A	Building	1.209.283.889	1.490.512.701	-	-	1.417.393.210	1.282.403.380	-	-	-	-
Rustonka 1 Building B	Building	1.297.147.729	1.598.809.991	-	-	1.520.377.803	1.375.579.917	-	-	-	-
Rustonka 1 Building C	Building under construction	1.271.713.459	1.567.460.775	-	-	1.490.566.473	1.348.607.761	-	-	-	-
Total		**4.380.242.254**	**5.367.807.916**	**22.675.039**	**20.515.511**	**5.095.067.051**	**4.609.822.569**	**603.231.511**	**666.729.565**	**612.844.369**	**657.116.707**

14. Investment properties (continued)

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

								Level 3 range of unobservable inputs					
Property located in Czech Republic	**Type of property**	**Valuation**	**Appraiser**	**Valuation method**	**Square meters land/ offices & retail**	**Square meters parking**	**Yield used**	**Average price per square meter**	**Average monthly rent per square meter for office & retail**	**Average monthly rent per square meter for parking**	**Average construction costs per square meter of office & retail**	**Average construction costs per square meter of parking**	**Developer's % profit**
		CZK						**CZK**	**CZK**	**CZK**	**CZK**	**CZK**	
Rustonka II	Land	156.559.743	CBRE LTD - external	Comparative method	4.347	-	-	36.030	-	-	-	-	-
Rustonka 1 Building A	Building	1.051.275.950	Management - internal	Income approach	15.298	5.635	5,25% - 6,25%	-	341,62	69,31	-	-	-
Rustonka 1 Building B	Building under construction	487.521.762	Management - internal	Residual approach	15.149	5.635	6,25%	-	352,92	68,62	20.428	11.491	17,5%
Rustonka 1 Building C	Building under construction	255.401.545	Management - internal	Residual approach	15.112	5.635	6,25%	-	352,88	68,62	20.428	11.491	20%
Fair value at 31 December 2017		**1.950.759.000**											

14. Investment properties (continued)

		Valuations resulting from the following changes in significant inputs									
Property located in Czech Republic	**Type of property**	**Increase of 0,5% in yield CZK**	**Decrease of 0,5% in yield CZK**	**Increase of 5% in average price per square meter CZK**	**Decrease of 5% in average price per square meter CZK**	**Increase of 5% in average monthly rent per square meter CZK**	**Decrease of 5% in average monthly rent per square meter CZK**	**Increase of 5% in average construction costs per square meter CZK**	**Decrease of 5% in average construction costs per square meter CZK**	**Increase of 0,5% in the developers profit CZK**	**Decrease of 0,5% in the developers profit CZK**
Rustonka II	Land	-	-	164.453.006	148.790.815	-	-	-	-	-	-
Rustonka 1 Building A	Building	961.137.400	1.160.055.050	-	-	1.103.878.050	1.006.079.000	-	-	-	-
Rustonka 1 Building B	Building under construction	411.427.462	577.149.612	-	-	538.081.062	436.962.462	454.836.962	520.461.912	481.904.062	493.394.812
Rustonka 1 Building C	Building under construction	179.562.595	344.774.045	-	-	305.960.845	205.097.595	221.439.995	289.618.445	249.783.845	261.274.595
Total		**1.552.127.457**	**2.081.978.707**	**16.4453.006**	**148.790.815**	**1.947.919.957**	**1.648.139.057**	**676.276.957**	**810.080.357**	**731.687.907**	**754.669.407**

15. Investments in subsidiaries

The Group's principal subsidiaries at 31 December 2018 and 31 December 2017 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Name	Place of business/ country of incorporation	Principal activities	2018 Ownership interest held by the group %	2017 Ownership interest held by the group %
Rustonka Development s.r.o	Czech Republic	Real Estate	100	100
Rustonka Development II s.r.o	Czech Republic	Real Estate	100	100
Rustonka Court s.r.o.	Czech Republic	Real Estate	100	-

On 15 May 2018, the Group established the wholly owned subsidiary Rustonka Court s.r.o., registered in the Czech Republic.

16. Trade and other receivables

	2018 CZK	2017 CZK
Deposits and prepayments	**1.782.374**	-
Accrued income (1)	**46.393.618**	-
Deferred expenses (2)	**14.619.743**	423.480
Other receivables	**11.880.909**	15.037.597
Refundable VAT	**3.323.194**	3.040.403
	77.999.838	18.501.480
Less non-current receivables	**-**	(4.217.000)
Current portion	**77.999.838**	14.284.48

(1) Accrued income mainly relates to free period of rental given to lessees.

(2) In 2017, deferred expenses include an amount of CZK415.923 which is related to guarantee fees. These fees are resulting from a guarantee declaration agreement (dated 3 March 2015) issued by the related company, J&T Real Estate a.s. (as the guarantor) in favour of the buyer of the Group's investment in Development Pobrezni s.r.o.. In the event that in the future, Gramexo Plc as the seller would not be able to meet its obligations arising from the agreement on transfer of shares, if any, the guarantor would settle those obligations on its behalf. The guarantee declaration matures on 3 March 2018, and the relevant costs are amortised over a period of three years. The whole amount of CZK415.923 was expensed in the current year upon the maturity of the guarantee declaration.

The deferred expenses of 2018 relate to administrative expenses that were invoiced during the year and correspond to 2019.

The amount of TCZK38.586 is held as a guarantee provided to the Company by one of the key tenants.

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 7 of the consolidated financial statements.

17. Cash and cash equivalents

Cash balances are analysed as follows:

	2018 CZK	2017 CZK
Cash in hand	**15.725**	5.000
Cash at bank	**50.092.929**	2.439.916
	50.108.654	2.444.916

Cash and cash equivalents by currency:

	2018 CZK	2017 CZK
Czech koruna	**23.342.081**	718.299
Euro	**26.766.573**	1.726.617
	50.108.654	2.444.916

The exposure of the Group to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 7 of the consolidated financial statements.

18. Share capital

	2018 Number of shares	**2018 EUR**	**2018 CZK**	2017 Number of shares	2017 EUR	2017 CZK
Authorised						
Ordinary shares of €1,71 each	**15.205**	**26.000**	**702.094**	15.205	26.000	702.094
			CZK			CZK
Issued and fully paid						
Balance at 1 January	**15.205**	**26.000**	**702.094**	15.205	26.000	702.094
Balance at 31 December	**15.205**	**26.000**	**702.094**	15.205	26.000	702.094

19. 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 acquisition, the net liabilities of the subsidiary were CZK56.315.000. The resulting amount of CZK56.317.703 was recognised in other reserves as "difference in reorganisation".

20. Borrowings

	2018 CZK	2017 CZK
Balance at 1 January	**1.531.364.357**	977.158.116
Additions	**1.547.097.581**	544.675.241
Repayments of principal	**(728.132.000)**	-
Interest charge	**91.803.000**	9.531.000
Repayment of interest	**(52.258.000)**	-
Foreign exchange difference	**6.185.135**	-
Balance at 31 December	**2.396.060.073**	1.531.364.357

20. Borrowings (continued)

	2018 CZK	2017 CZK
Current borrowings		
Credit facilities (1)	**7.995.638**	25.479.000
Credit facilities - accrued interest	**346.256**	8.374.000
	8.341.894	33.853.000
Non-current borrowings		
Bonds - capital amount (2)	**904.900.814**	904.900.814
Bonds - accrued interest	**111.442.758**	57.149.638
Credit facilities (3)	**1.361.210.436**	515.633.665
Credit facilities - accrued interest	**10.164.171**	19.827.240
	2.387.718.179	1.497.511.35
Total	**2.396.060.073**	1.531.364.357

Maturity of non-current borrowings:

	2018 CZK	2017 CZK
Between one to two years	**4.758.482**	147.430.905
Between two and five years	**1.381.772.723**	1.350.080.452
After five years	**1.001.186.974**	-
	2.387.718.179	1.497.511.357

(1) The credit facility due to related company is unsecured, carrying interest at the fixed rate of 5.10% per annum and repayable by 31 December 2019. The credit facility limit is for EUR500.000.

(2) During the year 2016, Gramexo PLC (the issuer) entered into an agreement called 'Mandate Agreement on Provision of the Issue of Certificate' with J&T IB and Capital Markets a.s. and a separate agreement with J&T Banka a.s. for the administration of the issued certificates. The issuer decided to issue unsecured and unsubordinated certificates in registered form, as bearer securities (bonds), in the total anticipated aggregate principal amount of CZK1.395.000.000, in the expected quantity of 46,500 certificates with the expected nominal value of each certificate amounting to CZK30.000, at initial issue price in the amount of CZK23.228 (77,43%), due in 2021. On various dates in 2017, the Company issued 11.000 certificates for the total issue price of CZK260.808.986 (CZK23.710, 79,03% issue price). The total transaction costs of CZK4.566.661 relating to this issue were capitalised in the capital amount of the Bond. The total interest expense for the year amounted to CZK54.293.120 (2017: CZK49.948.960). As at the year ended 31 December 2018, the issued certificates amounted to 39.300 (2017: 39.300 certificates) with a total aggregate principal amount of CZK1.179.000. The issue offer period ended on 12 September 2017. The certificates are listed in Prague stock exchange market, with ISIN of CZ0003514861.

(3) The credit facilities as at the current year end relate to bank borrowings as follows:

- a loan contract with Postova banka, a.s. for EUR43.060.000 and CZK3.000.000 entered into on 5 February 2018 and repayable by 31 January 2021 and bearing interest of 12M Euribor + 5,191% per annum and 12M Pribor + 3,98% per annum respectively. The loans are secured on the assets and future profits of the subsidiary company Rustonka Development II s.r.o.. As at 31 December 2018, the outstanding balance under this loan comprised of CZK1.001.126.928 principal and CZK60.046 accrued interest.

- a facility agreement with UniCredit Bank Czech Republic and Slovakia a.s. entered into on 4 April 2018 for EUR70.000.000 repayable by 31 December 2019 (conversion date) and EUR80.000.000 repayable by 31 December 2024 and bearing interest of 1M Euribor + 2,15% and 1M Euribor + 1,85% respectively. The loans are secured on the assets and future profits of the Rustonka Development s.r.o.. As at 31 December 2018, the outstanding balance under this loan comprised of CZK355.466.029 principal and CZK9.963.122 accrued interest.

20. Borrowings (continued)

- a loan contract with J&T Banka a.s. for CZK 25.000.000 entered into on 26 July 2018 and repayable by 31 March 2020 and bearing interest of 1Y PRIBOR + 5% p.a. margin. The loan is secured by Mortgage agreement and subordination agreement of receivables. As at 31 December 2018, the outstanding balance under this loan comprised of CZK4.617.479 principal and CZK141.003 accrued interest.

The credit facilities as at the prior year end include unsecured borrowings from related party for CZK12.051.905 and bank credit facilities amounting to CZK523.409.000 which are secured over the Group's investment property. The credit facilities carry interest between 5,10% to 7,92% per annum and are repayable between 10 March 2019 to 30 April 2020.

The listed fair value of the bonds as at 31 December 2018 is CZK1.047.423.600 (2017: CZK984.465.000). These relate to hierarch 1 bonds.

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

	2018	2017
Bonds	**5,64%**	5,64%
Credit facilities	**2,91%**	6,23%

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

The Group borrowings are denominated in the following currencies:

	2018	2017
	CZK	CZK
CZK	**1.021.102.054**	1.485.459.452
Euro	**1.374.958.019**	45.904.905
	2.396.060.073	1.531.364.357

21. Deferred tax

Deferred tax liability

	2018	2017
	CZK	CZK
Balance at 1 January	**74.517.000**	13.693.680
Revaluation of investment property	**399.019.629**	60.823.320
Balance at 31 December	**473.536.629**	74.517.000

Deferred taxation liability arises as follows:

	2018	2017
	CZK	CZK
Fair value gains on investment property	**473.536.629**	74.517.000
	473.536.629	74.517.000

22. Trade and other payables

	2018 CZK	2017 CZK
Trade payables	110.171.741	121.019.000
Prepayments	16.208.768	-
VAT	-	4.853
Operating received advances	17.610.960	1.356.000
Accruals	61.938.784	2.888.215
Other creditors	19.041.337	741.079
Deferred income	6.715.225	7.000
	231.686.815	126.016.147
Less non-current payables	-	(1.327.000)
Current portion	231.686.815	124.689.147

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

	2018 CZK	2017 CZK
Czech koruna	117.596.555	123.286.792
Euro	114.090.260	2.729.355
	231.686.815	126.016.147

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

23. Current tax liabilities

	2018 CZK	2017 CZK
Corporation tax	606.891	943.321
Special contribution for defence	246	244
	607.137	943.565

24. Operating leases

Leases as lessor

The Group leases out its investment properties under operating leases. Leases are typically for periods from 5 years to 11 years for offices and retail premises.

Non-cancellable operating lease rentals are receivable as follows:

	2018 CZK	2017 CZK
Less than one year	53.444.708	-
Between one and five years	-	-
More than five years	-	-
Total	53.444.708	-

For the year ended 31 December 2018, CZK 53.444.708 was recognised as rental income in the consolidated income statement (2017: CZK NIL)

25. 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 2017 and 2018, the Group's operations were entirely carried out by separate subsidiaries in Czech Republic, namely Rustonka Development s.r.o. and Rustonka Development II s.r.o., where all of the Group's revenue was generated. The primary activity of the subsidiaries was the development of land in a different building site. The subsidiaries were accounted for as a different line of business and for the segmental information were evaluated as a stand-alone business.

26. Operating Environment of the Group

26.1 Cyprus

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

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

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

26.2 Czech Republic

The Czech Republic is a parliamentary democracy, with separate legislative, executive and judicial powers. The parliament has two chambers (Chamber of Deputies and the Senate). The president is elected by the people for a five year term. Milos Zeman was inaugurated as the president of the Czech Republic for the first time on 8 March, 2013 and again for his second term on 8 March 2018. The Prime Minister is appointed by the President, based on parliamentary election results. As the Czech Republic is a parliamentary democracy, the bulk of political power lies with the Prime Minister.

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.

26. Operating Environment of the Group (continued)

Czech Republic is a generally recognised as an open market economy whose ability and willingness to pay its liabilities puts it, according to prestigious rating agencies, into the investment level. The country enjoys positive ratings from international rating companies (for the year 2018: Moody's A1 (Positive); Standard and Poor's AA (Stable); Fitch AA (Stable)).

GDP of the country grew in 2018 at rate of 2,9%, which was slower compared with 4,5% in 2017, but European Committee expects the GDP growth to keep stable around 2,8% for next 2 years. Annual inflation rate during 2018 rose to a level of 2,3% (1,9% in PY). Unemployment rate continued decreasing in 2018, hitting historical low of average 3,1% (4,1% in PY). Average monthly wage (gross) in the country represented 1.2225 EUR in 2018, what is an 8% increase compared with 1.130 EUR in 2017.

As a member of the European Union, the Czech Republic is bound by the laws of the EU with regard to trade, finance and employment. The country is a member of the OECD, NATO, and integrated in the WTO and the IMF. To ensure protection of foreign investments in the country, the Czech Republic is also a party to the Multilateral Investment Guarantee Agency (MIGA). As a signatory to the General Copyright Treaty, the country is obliged to protect the copyright, patents and trademarks of businesses and individuals.

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.

These challenges, as well as the anemic economic growth and/or economic recession in many Eurozone countries and other business partners, such as Russia and Ukraine, could affect or have affected:
(1) the ability of the Group to obtain new borrowings or re finance its existing borrowings at terms and conditions similar to those applied to earlier transactions,
(2) the ability of the Group's trade and other debtors to repay the amounts due to the Group,
(3) the cash flow forecasts of the Group’s management in relation to the impairment assessment for financial and non financial assets.

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

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

27. Related party transactions

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

The following transactions were carried out with related parties:

27.1 Directors' remuneration

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

	2018	2017
	CZK	CZK
Directors' fees	**24.209**	25.747
	24.209	25.747

27. Related party transactions (continued)

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

27.2 Borrowings from related company (Note 20)

	2018	2017
	CZK	CZK
Capital amount	**7.995.638**	37.217.665
Accrued interest	**346.256**	8.687.240
	8.341.894	45.904.905

For details refer to Note 21. The interest expense for the year amounts to CZK658.232 (2017: CZK413.360).

27.3 Deferred expenses from related company (Note 17)

	2018	2017
	CZK	CZK
Deferred expenses	**-**	423.480
	-	423.480

For details refer to Note 17.

28. 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 CZK242.100.000 before 31 December 2021. The amount will be paid in 2019, upon sale of the subsidiary (note 30).

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

29. Accounting policies up to 31 December 2017

Accounting policies applicable to the comparative period ended 31 December 2017 that were amended by IFRS 9, are as follows.

Revenue recognition

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

Trade receivables

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

29. Accounting policies up to 31 December 2017 (continued)

Financial instruments (continued)

Financial assets

(1) Classification

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

- Loans and receivables

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

(2) Recognition and measurement

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

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

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.

Derecognition of financial assets and liabilities

Financial assets

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

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

Financial liabilities

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

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

30. Events after the reporting period

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

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

ADDITIONAL INFORMATION

GRAMEXO PLC
REPORT AND FINANCIAL STATEMENTS
31 December 2018

GRAMEXO PLC

REPORT AND FINANCIAL STATEMENTS

31 December 2018

KPMG Limited
Chartered Accountants
14 Esperidon Street, 1087 Nicosia, Cyprus
P.O. Box 21121, 1502 Nicosia, Cyprus
T: +357 22 209000, F: +357 22 678200

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

GRAMEXO PLC

Report on the audit of the financial statements

Opinion

We have audited the accompanying separate financial statements of the parent company Gramexo Plc (the "Company"), which are presented on pages 11 to 45 and comprise the statement of financial position as at 31 December 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the parent company Gramexo Plc as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time (the "Companies Law, Cap.113").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *"Auditors' responsibilities for the audit of the financial statements"* section of our report. We remained independent of the Company throughout the period of our appointment in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants ("IESBA Code") and the ethical requirements in Cyprus that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Limassol
P.O. Box 50161, 3601
T: +357 25 869000
F: +357 25 363842

Paphos
P.O. Box 60288, 8101
T: +357 26 943050
F: +357 26 943062

Pera Chrysochous
P.O. Box 66014, 8330
T: +357 26 322093
F: +357 26 322722

Larnaca
P.O. Box 40075, 6300
T: +357 24 200000
F: +357 24 200200

Paralimni / Ayia Napa
P.O. Box 33200, 5311
T: +357 23 820080
F: +357 23 820081

Key audit matters

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

Accuracy of impairment loss on loan receivable

Refer to Note 13 to the financial statements.

The key audit matter

As at 31 December 2018, the Company has loan receivable from its subsidiary Rustonka Development s.r.o. (the "Subsidiary") for which the Board of Directors has carried out an impairment assessment, by applying for the first time the IFRS 9 impairment model, which is an expected credit loss (ECL) model.

Under the ECL model, a loss event need not occur before an impairment loss is recognised. Consequently, all financial assets in the scope of the impairment model generally carry a loss allowance.

Management has used third party professional service organisation to assist them with the measurement of impairment loss using the ECL model. Management has measured the impairment loss amount of the loan receivable based on the following:
(a) credit rating of the country of operation of the subsidiary;
(b) recovery rates of average senior unsecured bonds;
(c) discounted rate;
(d) valuations of the investment properties held by the subsidiary which were performed by internal and external valuation experts.

We focused on this area due to the size of the carrying amount of the loan receivable from subsidiary Rustonka Development s.r.o., which amounts to CZK976.620.513 and represents nearly 95% of the Company's total assets as at 31 December 2018 and because of the significant element of judgement and estimation involved in determining the expected credit losses of this loan.

How the matter was addressed in our audit

Our audit procedures included among others:
1) Obtain the entity's assessment and calculation of the allowance for impairment of loan receivable for the reporting period (including the model used) and:
a) Verify the mathematical accuracy of the calculation;
b) Vouch the data used in making the estimate to relevant documentation and evaluate the relevance and reliability of data used to develop assumptions from external information sources and test the relevance and reliability of internal information;
c) Evaluate the appropriateness of the economic parameters used for the ECL measurement.

2) Assessment of the Subsidiary's plans and ability relating to the repayment of the loan. We assessed the appropriateness of management's plans for future repayment of the loan receivable, which included assessment of the loan repayment from future proceeds from the sale of the Subsidiary's shares, as per the sale purchase agreement entered into on 23 May 2019.

Going concern

Refer to Note 2 to the financial statements.

The key audit matter

The Company has made a loss of CZK3.605.908 during the year ended 31 December 2018 and as of that date the Company's current liabilities exceeded its current assets by CZK1.349.049.

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

How the matter was addressed in our audit

Our audit procedures included among others the following:
1) Assessment of management's plans to use existing and new credit facility arrangements for settling the Company's current liabilities;
2) Assessment of the Subsidiaries' plans and ability to repay the loans receivable as described in our Key Audit Matter "Accuracy of impairment loss on loans receivable";
3) Inspection of the sale agreement for the sale of the subsidiary Rustonka Development s.r.o. and assessment of cash inflows from the sale;
4) Evaluation of the marketability of the investment properties held by the Company's subsidiaries and assessment of the likely cash inflows with regards to their future disposal and from rental income;
5) Discussion with management for their future plans for settling the Group's liabilities as they fall due.

Other information

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

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

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

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

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

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

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

***Responsibilities of the Board of Directors and those charged with governance for the financial statements** (continued)*

The Board of Directors and those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

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

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

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

We communicate with 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Report on other legal and regulatory requirements

Other regulatory requirements

Pursuant to the requirements of Article 10(2) of European Union (EU) Regulation 537/2014 we provide the following information in our Independent Auditors' Report, which is required in addition to the requirements of ISAs.

Date of appointment and period of engagement

We were appointed auditors on 26 March 2018 to audit the financial statements of the Company for the year ended 31 December 2017. We were re-appointed on 30 January 2019 to audit the financial statements of the Company for the year ended 31 December 2018. Our total uninterrupted period of engagement is 2 years covering the periods ending 31 December 2017 to 31 December 2018.

Consistency of auditors' report to the additional report to the Board of Directors

We confirm that our audit opinion is consistent with the additional report sent to the Board of Directors on 31 May 2019.

Provision of Non-audit Services ('NAS')

We have not provided any prohibited NAS referred to in Article 5 of EU Regulation 537/2014 as applied by Section 72 of the Auditors Law of 2017, L.53(I)2017, as amended from time to time ("Law L53(I)/2017").

Other legal requirements

Pursuant to the additional requirements of law L.53(I)/2017, and based on the work undertaken in the course of our audit, we report the following:

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

Other Matter

Audit Committee

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

Other

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of Law L.53(I)/2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2018.

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

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

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

31 May 2019

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2018

	Note	**2018 CZK**	2017 CZK
Loan interest income	13	**56.499.182**	57.199.097
Bond interest expense	17	**(54.293.120)**	(49.948.960)
Net interest income		**2.206.062**	7.250.137
Administration expenses	9	**(2.852.666)**	(1.690.092)
Bond administration fees	9	**(1.234.071)**	(670.153)
Guarantee expenses	9	**(415.923)**	(2.265.850)
Impairment loss on financial and contract assets	13	**(28.142)**	-
Other expenses	8	**(8.901)**	(9.466)
Operating (loss)/profit		**(2.333.641)**	2.614.576
Finance income		**-**	133.093
Finance costs		**(279.520)**	(101.513)
Net finance (costs)/income	10	**(279.520)**	31.580
(Loss)/profit before tax		**(2.613.161)**	2.646.156
Tax	11	**(992.747)**	(966.478)
Net (loss)/profit for the year		**(3.605.908)**	1.679.678
Other comprehensive income		**-**	-
Total comprehensive (expense)/income for the year		**(3.605.908)**	1.679.678

The notes on pages 15 to 45 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
31 December 2018

	Note	2018 CZK	2017 CZK
ASSETS			
Non-current assets			
Investments in subsidiaries	12	**202.703**	102.703
Loans receivable	13	**1.024.963.988**	968.936.119
		1.025.166.691	969.038.822
Current assets			
Trade and other receivables	14	**5.788**	423.480
Cash and cash equivalents	15	**305.007**	616.916
		310.795	1.040.396
Total assets		**1.025.477.486**	970.079.218
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**702.094**	702.094
(Accumulated losses)/retained earnings		**(2.051.143)**	1.997.936
Total equity		**(1.349.049)**	2.700.030
Non-current liabilities			
Borrowings	17	**1.016.343.572**	964.707.357
		1.016.343.572	964.707.357
Current liabilities			
Trade and other payables	18	**1.533.932**	1.728.266
Borrowings	17	**8.341.894**	-
Current tax liabilities	19	**607.137**	943.565
		10.482.963	2.671.831
Total liabilities		**1.026.826.535**	967.379.188
Total equity and liabilities		**1.025.477.486**	970.079.218

On 31 May 2019 the Board of Directors of Gramexo PLC authorised these financial statements for issue.

.....
Ivana Tollarovicova
Director

.....
Nicolas Italos
Director

The notes on pages 15 to 45 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Share capital CZK	(Accumulated losses)/ retained earnings CZK	Total CZK
Balance at 1 January 2017	**702.094**	**318.258**	**1.020.352**
Comprehensive income			
Net profit for the year	-	1.679.678	1.679.678
Balance at 31 December 2017	**702.094**	**1.997.936**	**2.700.030**
Balance at 1 January 2018 as previously reported	**702.094**	**1.997.936**	**2.700.030**
Effect of initial application of IFRS 9	-	(443.171)	(443.171)
Balance at 1 January 2018	**702.094**	**1.554.765**	**2.256.859**
Comprehensive income			
Net loss for the year	-	(3.605.908)	(3.605.908)
Balance at 31 December 2018	**702.094**	**(2.051.143)**	**(1.349.049)**

The notes on pages 15 to 45 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
Year ended 31 December 2018

	Note	**2018 CZK**	2017 CZK
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(2.613.161)**	2.646.156
Adjustments for:			
Impairment charge - loans to related parties	13	**28.142**	-
Interest income	13	**(56.499.182)**	(57.199.097)
Interest expense	10, 17	**54.540.504**	50.038.487
Exchange difference on taxes and borrowings		**34.064**	(107.755)
		(4.509.633)	(4.622.209)
Changes in working capital:			
Decrease in trade and other receivables	14	**417.692**	2.268.485
Decrease in trade and other payables	18	**(194.334)**	(2.350.287)
Cash used in operations		**(4.286.275)**	(4.704.011)
Tax paid		**(1.333.618)**	(60.306)
Net cash used in operating activities		**(5.619.893)**	(4.764.317)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of investments in subsidiaries	12	**(100.000)**	-
Loans granted to subsidiary		**-**	(255.850.000)
Net cash used in investing activities		**(100.000)**	(255.850.000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	17	**5.407.984**	258.283.533
Net cash generated from financing activities		**5.407.984**	258.283.533
Net decrease in cash and cash equivalents		**(311.909)**	(2.330.784)
Cash and cash equivalents at beginning of the year		**616.916**	2.947.700
Cash and cash equivalents at end of the year	15	**305.007**	616.916

The notes on pages 15 to 45 form an integral part of these financial statements.

1. Incorporation and principal activities

Country of incorporation

Gramexo PLC (formerly Gramexo Limited) (the "Company") was incorporated in Cyprus on 14 May 2007 as a limited liability company under the provisions of the Cyprus Companies Law, Cap. 113 and in 2016 the status of the Company changed to public limited company. The Company has listed bonds in Prague Stock Exchange. The Company's Legal Entity Identifier (LEI) is 315700OJG3L3LCIQCF60. Its registered office is at Klimentos, 41-43, Klimentos Tower, 1st floor, Flat/Office 12, 1061 Nicosia, Cyprus.

Principal activities

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

2. Basis of preparation and significant accounting policies

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

Going concern basis

The Company has made a loss of CZK3.605.908 during the year ended 31 December 2018 (2017: profit CZK1.679.678) and as of that date the Company's current liabilities exceeded its current assets by CZK10.172.168 (2017: CZK1.631.435). The Company's Financial Statements have been prepared on a going concern basis as management is of the opinion that:

a) Its current liabilities will be financed out of available existing and new credit facilities;

b) The bonds issued are expected to be settled from cash flows generated from the sale of subsidiary Rustonka Development s.r.o., which was sold on 29 May 2019 for TCZK1.650.575 (see note 24 for furhter details).

Statement of compliance and basis of measurement

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

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

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

The largest group in which the financial results of the Company and its subsidiaries are included are in the consolidated financial statements of the ultimate parent company, J&T Real Estate Holding Limited, which can be obtained from Klimentos 41-43, Klimentos Tower, 1st floor, Flat/Office 12, P.C. 1061 Nicosia, Cyprus.

Users of these parent's separate financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2018 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group.

3. Changes in significant accounting policies

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2018. The adoption of IFRS 15 "Revenue from contracts with customers" did not had a material effect on the accounting policies of the Company. However, the adoption of IFRS 9 "Financial Instruments" had a material effect on the accounting policies of the Company.

A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Company's financial statements.

As explained below (note 3(i)), in accordance with the transition provisions of IFRS 9, the Company has elected the simplified approach for adoption of this standard. Accordingly, IFRS 9 was adopted without restating the comparative information for year 2017. The comparative information is prepared in accordance with IAS 39, and the impact of adoption has been recognised in the opening retained earnings as at 1 January 2018.

The following table summarizes the impact of adoption of the new standard for each individual line item of the statement of financial position. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

The effect of initially applying IFRS9 is mainly attribute to impairment losses recognised on financial assets.

(i) IFRS 9 "Financial instruments"

(a) Impact on the statement of financial position

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 CZK	Effect of adoption of IFRS 9 CZK	New carrying amount under IFRS 9 CZK
Financial assets						
Cash at bank	15	Loans and receivables	Amortised cost	616.916	-	616.916
Loans receivable (1)	13	Loans and receivables	Amortised cost	968.936.119	(443.171)	968.492.948
Total financial assets				969.553.035	(443.171)	969.109.864
Financial liabilities						
Unsecured bond issues	17	Other financial liabilities	Other financial liabilities	962.050.452	-	962.050.452
Credit facilities	17	Other financial liabilities	Other financial liabilities	2.656.905	-	2.656.905
Total financial liabilities				964.707.357	-	964.707.357

(1) Loans receivable that were previously classified as loans and receivables are now classified at amortised cost. The Company considers that the loans receivable from subsidiaries are held with the business model whose objective is achieved by collecting contractual cash flows. The loans receivable mature on 30 August 2021 and the contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On transition to IFRS 9 an allowance for impairment of CZK443.171 was recognised as a decrease in the opening retained earnings.

3. Changes in significant accounting policies (continued)

(b) Reconciliation of carrying amounts

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018.

	IAS 39 carrying amount at 31 December 2017 CZK	Reclassifications CZK	Remeasurement CZK	IFRS 9 carrying amount at 1 January 2018 CZK
Financial assets				
Amortised cost				
Cash at bank:				
Brought forward: Loans and receivables	616.916	-	-	-
Remeasurement	-	-	-	-
Carried forward: Amortised cost	-	-	-	616.916
Loans receivable:				
Brought forward: Loans and receivables	968.936.119	-	-	-
Remeasurement	-	-	(443.171)	-
Carried forward: Amortised cost	-	-	-	968.492.948
Total amortised cost	969.553.035	-	(443.171)	969.109.864

IFRS 9 "Financial instruments" replaces the provisions of IAS 39 that relate to recognition and derecognition of financial instruments, and classification and measurement of financial assets and financial liabilities. IFRS 9 further introduces new principles for hedge accounting and a new forward-looking impairment model for financial assets.

IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available-for-sale.

The new standard requires financial assets to be classified into three measurement categories: those to be measured subsequently at fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL) and those to be measured at amortised cost. The determination is made at initial recognition. For debt financial assets the classification depends on the entity's business model for managing its financial instruments and the contractual cash flows characteristics of the instruments. For equity financial assets it depends on the entity's intentions and designation.

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

In particular, assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest are measured at amortised cost. Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Lastly, assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

For investments in equity instruments that are not held for trading, the classification depends on whether the entity has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. If no such election has been made or the investments in equity instruments are held for trading they are required to be classified at fair value through profit or loss.

The election can be made on an instrument-by-instrument basis.

3. Changes in significant accounting policies (continued)

(i) IFRS 9 "Financial instruments" (continued)

IFRS 9 also introduces a single impairment model applicable for debt instruments at amortised cost or at fair value through other comprehensive income, contract assets, lease receivables, loan commitments and financial guarantee contracts issued, and removes the need for a triggering event to be necessary for recognition of impairment losses. The new impairment model under IFRS 9 requires the recognition of allowances for doubtful debts based on expected credit losses (ECL), rather than incurred credit losses as under IAS 39. The standard further introduces a simplified approach for calculating impairment on trade receivables as well as for calculating impairment on contract assets and lease receivables; which also fall within the scope of the impairment requirements of IFRS 9.

The new impairment model does not apply to investments in equity instruments.

For financial liabilities, the standard retains most of the requirements of IAS 39. The main change is that, in case where the fair value option is taken for financial liabilities, the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and the remaining amount of change in the fair value is presented in profit or loss. There are two exceptions to this split presentation: a) if split presentation would create or enlarge an accounting mismatch in profit or loss; or b) if the financial liability is a loan commitment or a financial guarantee contract. In these cases, all gains and losses are presented in profit or loss.

With the introduction of IFRS 9 "Financial Instruments", the IASB confirmed that gains or losses that result from modification of financial liabilities that do not result in derecognition shall be recognized in profit or loss.

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedge ratio" to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

The Company has adopted IFRS 9 with a date of transition of 1 January 2018, which resulted in changes in accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets.

The Company's new accounting policies following adoption of IFRS 9 at 1 January 2018 are set out in note 4.

Impact of adoption

In accordance with the transition provisions in IFRS 9, the Company has elected the simplified transition method for adopting the new standard. Accordingly, the effect of transition to IFRS 9 was recognised as at 1 January 2018 as an adjustment to the opening retained earnings (or other components of equity, as appropriate). In accordance with the transition method elected by the Company for implementation of IFRS 9 the comparatives have not been restated but are stated based on the previous policies which comply with IAS 39. Consequently, the revised requirements of IFRS 7 "Financial Instruments: Disclosures" have only been applied to the current period. The comparative period disclosures repeat those disclosures made in the prior year.

On 1 January 2018 for debt instruments held by the Company, management has assessed which business models apply to the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI test). In addition separate assessment for equity instruments held by the Company was performed, in respect of whether they are held for trading or not. As a result of both assessments Management has classified its debt and equity instruments into the appropriate IFRS 9 categories.

As a result of the adoption of IFRS 9 the Company revised its impairment methodology for each class of assets subject to the new impairment requirements. From 1 January 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI, cash and cash equivalents and bank deposits with original maturity over 3 months, loan commitments and financial guarantees. The impairment methodology applied depends on whether there has been a significant increase in credit risk and, whether the debt investments qualify as low credit risk.

The Company has the following types of assets that are subject to IFRS 9's new expected credit loss model: loan receivables, cash and cash equivalents and credit related commitments.

3. Changes in significant accounting policies (continued)

(i) IFRS 9 "Financial instruments" (continued)

The Company has adopted the general expected credit loss model for loan receivables, cash and cash equivalents and credit related commitments.

For assets in the scope of IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of IFRS 9 impairment requirements at 1 January 2018 results in an additional allowance for impairment as follows.

	CZK
Loss allowance at 31 December 2017 under IAS 39	-
Additional impairment recognised at 1 January 2018 on:	
Loans receivables	443.171
Loss allowance at 1 January 2018 under IFRS 9	**443.171**

At 31 December 2017, all of the Company's financial liabilities were carried at amortised cost. Starting from 1 January 2018 the Company's financial liabilities continued to be classified at amortised cost.

The assessment of the impact of adoption of IFRS 9 on the Company's accounting policies required management to make certain critical judgments in the process of applying the principles of the new standard. The judgments that had the most significant effect on Management's conclusion are disclosed in note 7.

(ii) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 "Revenue from contracts with customers" and related amendments superseded IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations. The new standard replaces the separate models for recognition of revenue for the sale of goods, services and construction contracts under previous IFRS and establishes uniform requirements regarding the nature, amount and timing of revenue recognition. IFRS 15 introduces the core principle that revenue must be recognised in such a way to depict the transfer of goods or services to customers and reflect the consideration that the entity expects to be entitled to in exchange for transferring those goods or services to the customer; the transaction price.

The new standard provides a principle-based five-step model that must be applied to all categories of contracts with customers. Any bundled goods or services must be assessed as to whether they contain one or more performance obligations (that is, distinct promises to provide a good or service). Individual performance obligations must be recognised and accounted for separately and any discounts or rebates in the contract price must generally be allocated to each of them.

The amendments to IFRS 15 clarify how to identify a performance obligation in a contract, how to determine whether a Company is a principal (that is, the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided) and how to determine whether the revenue from granting a license should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a Company when it first applies the new standard.

Impact of adoption

There was no impact on the adoption of the new standard IFRS 15 as the Company does not have any contracts with customers to provide goods or services in its ordinary course of business.

4. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 9 effective from 1 January 2018 (see note 3), these policies have been consistently applied to all the years presented, unless otherwise stated. The principal accounting policies in respect of financial instruments and revenue recognition applied till 31 December 2017 are presented in note 23.

4. Significant accounting policies (continued)

Subsidiary companies

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

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

Revenue

— **Income from investments in subsidiaries**

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

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

— **Interest income**

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

— **Segmental reporting**

The Company is organised by business segments and this is the primary format for segmental reporting. Each business segment provides products or services which are subject to risks and returns that are different from those of other business segments. The Company operates only in Cyprus and for this reason operations are not analysed by geographical segment.

Finance income and finance costs

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

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

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

– the gross carrying amount of the financial asset; or

– the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

4. Significant accounting policies (continued)

Foreign currency translation

(1) Functional and presentation currency

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

(2) Transactions and balances

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

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

Tax

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

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

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

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

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

Dividends

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

Impairment of non-financial assets

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

Financial assets - Classification - policy applicable from 1 January 2018

From 1 January 2018, on initial recognition, the Company classifies its financial assets in the following measurement categories:

4. Significant accounting policies (continued)

Financial assets - Classification - policy applicable from 1 January 2018 (continued)

- those to be measured subsequently at fair value through profit or loss (FVTPL),
- those to be measured subsequently at fair value through OCI (FVOCI)
  - debt investment or equity investment, and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Company may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For investments in equity instruments that are not held for trading, classification will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). This election is made on an investment by investment basis.

All other financial assets not classified as measured at amortised cost or FVOCI are classified as measured at FVTPL.

Financial assets are not reclassifed subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Financial assets – Business model assessment: Policy applicable from 1 January 2018

The Company makes an assessment of the objective of the business model in which a financial asset is held at a group level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the group and the operation of those policies in practice. The includes management's strategy which focuses on a) earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the payable bonds b) expected cash outflows and c) realising cash flows through rental income and/or the sale of the investment property;

- the performance of the group is evaluated based on the revenue generated and the projected cash flows of the projects under construction;

- the risks that affect the performance of the business model (and the financial assets held within the business model) are evaluated based on a) the performance of the finished buildings b) the macroeconomics of Czech Republic and c) the fair value of the projects through annual valuation report.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

4. Significant accounting policies (continued)

Financial assets - Classification - policy applicable from 1 January 2018 (continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

— contingent events that would change the amount or timing of cash flows;

— terms that may adjust the contractual coupon rate, including variable-rate features;

— prepayment and extension features; and

— terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

Financial assets - Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Company commits to deliver a financial instrument. All other purchases and sales are recognised when the entity becomes a party to the contractual provisions of the instrument.

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

— the rights to receive cash flows from the asset have expired;

— the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or

— the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial assets - Measurement - policy applicable from 1 January 2018

At initial recognition, the Company measures a financial asset (unless it is a trade receivable without a significant financing component) at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

4. Significant accounting policies (continued)

(i) Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

Amortised cost: financial assets that are not designated as at FVTPL and are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest (SPPI) are subsequently measured at amortised cost using the effective interest method. Interest income from these financial assets is included in profit or loss and presented in "other income". Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are recognised in profit or loss and are presented as separate line item in the statement of comprehensive income. Financial assets measured at amortised cost (AC) comprise: cash and cash equivalents, bank deposits with original maturity over 3 months, trade receivables and financial assets at amortised cost.

FVOCI: debt investments that are not designated as at FVTPL and are held for collection of both contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are subsequently measured at fair value. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets calculated using the effective interest method is included in "other income" in profit or loss. Foreign exchange gains and losses are presented in "other gains/(losses)" and impairment expenses are presented as separate line item in the statement of comprehensive income.

FVTPL: financial assets that do not meet the criteria for amortised cost or FVOCI are subsquently measured at fair value. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within "other gains/(losses)" in the period in which it arises.

(ii) Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. The Company's policy is to designate equity investments as FVOCI when those investments are held for strategic purposes other than solely to generate investment returns. Dividends from such investments continue to be recognised in profit or loss as "other income" when the Company's right to receive payments is established, unless they clearly represent a repayment of part of the cost of the investment.

Changes in the fair value of financial assets at FVTPL are recognised in "other gains/(losses)" in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Financial assets - impairment - credit loss allowance for ECL - policy applicable from 1 January 2018

From 1 January 2018, the Company assesses on a forward-looking basis the ECL for financial assets (including loans) measured at AC, debt investments measured at FVOCI and contract assets with the exposure arising from loan commitments and financial guarantee contracts. The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

4. Significant accounting policies (continued)

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss, in the statement of comprehensive income within "net impairment losses on financial and contract assets".

Financial assets measured at AC are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantee contracts, a separate provision for ECL is recognised as a liability in the statement of financial position.

For debt investments measured at FVOCI, an allowance for ECL is recognised in profit or loss and it affects fair value gains or losses recognised in OCI rather than the carrying amount of those instruments.

Expected losses are recognised and measured according to one of two approaches: general approach or simplified approach.

For trade receivables including trade receivables with a significant financing component and contract assets and lease receivables the Company applies the simplified approach permitted by IFRS 9, which uses lifetime expected losses to be recognised from initial recognition of the financial assets.

For all other financial asset that are subject to impairment under IFRS 9, the Company applies the general approach - three stage model for impairment. The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition and for which credit risk has not significantly increased since initial recognition is classified in Stage 1 (investment grade).

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 6, Credit risk section for a description of how the Company determines when a SICR has occurred. If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Company's definition of credit impaired assets and definition of default is explained in note 6, Credit risk section.

Evidence that a financial asset is credit-impaired includes the following observable data: significant financial difficulty of the borrower or issuer, a breach of contract such as a default or being more that 90 days past due, the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise, it is probable that the borrower will enter bankruptcy or other financial reorganisation or the disappearance of an active market for a security because of financial difficulties.

Additionally the Company has decided to use the low credit risk assessment exemption for investment grade financial assets. Refer to note 6, Credit risk section for a description of how the Company determines low credit risk financial assets.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Financial assets - Reclassification - policy applicable from 1 January 2018

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

4. Significant accounting policies (continued)

Financial assets - write-off - policy applicable from 1 January 2018

Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets - modification - policy applicable from 1 January 2018

The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Company also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Company compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Loans receivable

These are held with the objective to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Financial assets at amortised cost are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

Financial guarantee contracts

Financial guarantee contracts are contracts that require the Company to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are recognised as a financial liability at the time the guarantee is issued. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee in other income in profit or loss.

4. Significant accounting policies (continued)

Financial guarantee contracts (continued)

At the end of each reporting period, the guarantee is subsequently at the higher of:
- the amount of the loss allowance determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments and;
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Where guarantees in relation to loans or other payables of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

Credit related commitments

The Company issues commitments to provide loans. Commitments to provide loans are initially recognised at their fair value, which is normally evidenced by the amount of fees received. Such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. Loan commitments provided by the Company are measured as the amount of the loss allowance calculated under IFRS 9.

At the end of each reporting period, the commitments are measured at:
(i) the remaining unamortised balance of the amount at initial recognition, plus
(ii) the amount of the loss allowance determined based on the expected credit loss model.

If the loan commitments are provided at a below-market interest rate, they are measured at the higher of:
(i) the amount of the loss allowance determined based on the expected loss model and
(ii) the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

For loan commitments (where those components can be separated from the loan), a separate provision for ECL is recognised as a liability in the statement of financial position. However, for contracts that include both a loan and an undrawn commitment and the Company cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

Financial liabilities - measurement categories

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

4. Significant accounting policies (continued)

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried 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. Borrowings are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date.

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 (for liquidity services) and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

An exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners and is recognised directly to equity.

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

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

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

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

4. Significant accounting policies (continued)

Offsetting financial instruments

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

Share capital

Ordinary shares are classified as equity.

Provisions

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

Non-current liabilities

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

Comparatives

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

Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

5. New accounting pronouncements

As from 1 January 2018, the Company adopted all changes to International Financial Reporting Standards (IFRSs) as adopted by EU, which are relevant to its operations. This adoption did not have a material effect on the financial statements of the Company except for the adoption of IFRS 9 (note 3).

5. New accounting pronouncements (continued)

Standards issued but not yet effective

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

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

— *IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019).*
— *Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017) (effective for annual periods beginning on or after 1 January 2019).*

New IFRICs

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

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

New standards

— *IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021).*

Amendments

— *Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018) (effective for annual periods beginning on or after 1 January 2020).*
— *Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017) (effective for annual periods beginning on or after 1 January 2019).*
— *Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018) (effective for annual periods beginning on or after 1 January 2019).*
— *Annual Improvements to IFRSs 2015-2017 Cycle (issued on 12 December 2017) (effective for annual periods beginning on or after 1 January 2019)*
— *Amendments to References to the Conceptual Framework in IFRS Standards (issued 29 March 2018) (effective for annual periods beginning on or after 1 January 2020)*
— *Amendment to IFRS 3 Business Combinations (issued on 22 October 2018) (effective for annual periods beginning on or after 1 January 2020)*

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

6. Financial risk management

Financial risk factors

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

6.1 Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established the risk management committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its management standards and procedures, aims to maintain a disciplined and constructive control environment.

6. Financial risk management (continued)

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

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

	2018	2017
	CZK	CZK
Fixed rate instruments		
Financial assets	**903.140.000**	903.140.000
Financial liabilities	**(912.896.452)**	(907.459.479)
	(9.756.452)	(4.319.479)

Sensitivity analysis

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

6.3 Credit risk
Credit risk arises from cash and cash equivalents and contractual cash flows of debt investments carried at amortised cost.

(i) Risk management

Credit risk is managed on a group basis.

For banks and financial institutions, only independently rated parties with a minimum rating of 'C' are accepted. If borrowers are independently rated, these ratings are used.

Otherwise, if there is no independent rating, management assesses the credit quality of the borrowers, taking into account its financial position, past experience and other factors. Individual credit limits and credit terms are set based on the credit quality of the borrowers in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

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

	2018	2017
	CZK	CZK
Loans receivables from related parties	**1.024.963.988**	968.936.119
Trade and other receivables	**5.788**	423.480
Cash at bank	**305.007**	616.916
	1.025.274.783	969.976.515

(ii) Impairment of financial assets

The Company has the following types of financial assets that are subject to the expected credit loss model:
— cash and cash equivalents
— loans receivable

6. Financial risk management (continued)

6.3 Credit risk (continued)

(ii) Impairment of financial assets (continued)

Debt investments

All of the entity's debt investments at FVOCI are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Management considers 'low credit risk' for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Debt investments at fair value through other comprehensive income

Debt investments at fair value through other comprehensive income (FVOCI) include listed debt securities. The loss allowance for debt investments at FVOCI is recognised in profit or loss and reduces the fair value loss otherwise recognised in OCI.

Other financial assets at amortised cost

Other financial assets at amortised cost include loans to related parties.

Loans to related parties, receivables from related parties, other receivables and debt investments at amortised cost and FVOCI

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

* external credit rating (as far as available);
* actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
* actual or expected significant changes in the operating results of the borrower/counterparty;
* significant increases in credit risk on other financial instruments of the same borrower/counterparty;
* significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements;
* significant changes in the expected performance and behaviour of the borrower/counterparty, including changes in the payment status of counterparty in the Company and changes in the operating results of the borrower.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due, or when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held).

6. Financial risk management (continued)

6.3 Credit risk (continued)

(ii) Impairment of financial assets (continued)

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company. The Company categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 180 days past due. Where loans or receivables have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The Company has no financial assets which are subject to the impairment requirements of IFRS 9 and which have had modifications to their contractual cash flows.

In calculating the expected credit risk the Company considers the probability of default (PD) of the loan receivable which is based on the country where the borrower operates. The Company also considers the loss given default (LGD) of the loan receivable which is based on the securities of the loan and its seniority against other loans that the borrower had.

The Company provides for credit losses against loans to related parties, receivables, other receivables, debt securities at FVOCI and cash and cash equivalents. The following table contains an analysis of the credit risk exposure of each class of financial instruments for which an ECL allowance is recognised. The gross carrying amounts below also represent the Company's maximum exposure to credit risk on these assets as at 31 December 2018.

The Company is monitoring the economic environment in Czech Republic where the borrowers operate. The Czech Republic is a prosperous market economy that boasts one of the highest GDP growth rates and lowest unemployment levels in the EU. In addition, the Czech Koruna was one of the world's strongest performing currencies in 2017.

The following table presents an analysis of the credit quality of debt securities at amortised cost, FVOCI and FVTPL (2017: held-to-maturity, available-for-sale and held-for-trading). It indicates whether assets measured at amortised cost or FVOCI were subject to a 12-month ECL or lifetime ECL allowance and, in the latter case, whether they were credit-impaired:

	2018					**2017**		
	FVTPL	FVOCI	At amortised cost					
Credit rating		12-month ECL	12-month ECL	Lifetime ECL – not credit impaired	Lifetime ECL – credit impaired	Held for trading	Available for-sale	Held-to maturity
	CZK	CZK	CZK	CZK	CZK	CZK	CZK	CZK
BBB- to AAA	-	-	1.024.963.988	-	-	-	-	968.936.119
BB- to BB+	-	-	-	-	-	-	-	-
B- to B+	-	-	-	-	-	-	-	-
C to CCC+	-	-	-	-	-	-	-	-
Without rating	-	-	-	305.007	-	-	-	616.916
Gross carrying amounts (2017: amortised cost before impairment)	-	-	1.025.435.302	-	-	-	-	969.553.035
Loss allowance	-	-	(471.313)	-	-	-	-	-
Amortised cost	-	-	1.024.963.988	-	-	-	-	969.553.035
Carrying amount	-	-	1.024.963.988	305.007	-	-	-	969.553.035

6. Financial risk management (continued)

6.3 Credit risk (continued)

(iii) Net impairment losses on financial and contract assets recognised in profit or loss

During the year, the following gains/(losses) were recognised in profit or loss in relation to impaired financial assets:

Impairment losses	**2018**	2017
	CZK	CZK
Impairment charge - loans to related parties	**(28.142)**	-
Net impairment (loss) on financial and contract assets	**(28.142)**	-

(iv) Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a borrower as required. Guarantees which represent irrevocable assurances that the Company will make payments in the event that a counterparty cannot meet its obligations to third parties, carry the same credit risk as loans receivable. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans or guarantees. With respect to credit risk on commitments to extend credit, the Company is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. The Company monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

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

31 December 2018	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
Bonds	1.016.343.572	1.179.000.000	-	-	-	1.179.000.000
Credit facilities	8.341.894	8.749.671	-	8.749.671	-	-
Trade and other payables	1.533.932	1.533.932	1.533.932	-	-	-
	1.026.219.398	**1.189.283.603**	**1.533.932**	**8.749.671**	**-**	**1.179.000.000**

31 December 2017	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
Bonds	962.050.452	1.179.000.000	-	-	-	1.179.000.000
Credit facilities	2.656.905	2.917.888	-	-	2.917.888	-
Trade and other payables	1.728.266	1.728.266	1.728.266	-	-	-
	966.435.623	1.183.646.154	1.728.266	-	2.917.888	1.179.000.000

6. Financial risk management (continued)

6.5 Capital risk management

Capital includes equity shares and share premium, convertible preference shares and loan from parent company.

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from last year.

7. Critical accounting estimates and judgments

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

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

Judgments

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

- Note 2 - the assessment of the Company for the appropriateness of the use of the going concern basis.
- Notes 11 and 19 - significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.
- Notes 4 and 6 - measurement of ECL allowance for financial assets, key assumptions in determining loss rates.

8. Other expenses

	2018	2017
	CZK	CZK
Annual company fee	**8.901**	9.466
	8.901	9.466

9. Expenses by nature

	2018	2017
	CZK	CZK
Directors' fees (Note 21.1)	**24.209**	25.747
Auditors' remuneration - current year	**765.318**	592.656
Auditors' remuneration - prior years	**-**	3.949
Guarantee expense	**415.923**	2.265.850
Bond administration fee	**1.234.071**	877.219
Bond administration fee - prior year	**-**	(207.066)
Administrative services	**1.291.558**	712.643
Accounting fees	**198.524**	205.308
Irrecoverable VAT	**-**	298
Legal fees	**5.700**	-
Professional fees	**122.451**	121.570
Professional fees - prior year	**-**	26.945
Other expenses	**444.906**	976
Total expenses	**4.502.660**	4.626.095

The total fees charged by the statutory auditors, KPMG Limited, for the audit of the financial statements for the year ended 31 December 2018 amounts to CZK765.318 (2017: CZK592.656). There are no fees for non-audit services for the current and prior years.

10. Finance income/(costs)

	2018	2017
	CZK	CZK
Net foreign exchange profit	**-**	133.093
Finance income	**-**	133.093
Net foreign exchange losses	**(31.582)**	-
Loan interest expense (Note 17)	**(247.384)**	(89.527)
Other interest expense	**-**	(10.609)
Sundry finance expenses	**(554)**	(1.377)
Finance costs	**(279.520)**	(101.513)
Net finance (costs)/income	**(279.520)**	31.580

11. Tax

	2018	2017
	CZK	CZK
Corporation tax - current year	**992.747**	943.321
Corporation tax - prior years	**-**	23.157
Charge for the year	**992.747**	966.478

11. Tax (continued)

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

	2018 %	**2018 CZK**	2017 %	2017 CZK
(Loss)/profit before tax		**(2.613.161)**		2.646.156
Tax calculated at the applicable tax rates	(12,50)	**(326.645)**	12,50	330.770
Tax effect of expenses not deductible for tax purposes	50,49	**1.319.392**	20,54	543.432
Tax effect of allowances and income not subject to tax	-	**-**	(0,63)	(16.637)
10% additional charge	-	**-**	3,24	85.756
Prior year tax	-	**-**	0,88	23.157
Tax charge	37,99	**992.747**	36,53	966.478

The corporation tax rate is 12,5%.

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

12. Investments in subsidiaries

	2018 CZK	2017 CZK
Balance at 1 January	**102.703**	102.703
Additions	**100.000**	-
Balance at 31 December	**202.703**	102.703

The details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	2018 Holding %	2017 Holding %	**2018 CZK**	2017 CZK
Rustonka Development s.r.o.	Czech Republic	Real Estate	100	100	**2.703**	2.703
Rustonka Development II s.r.o.	Czech Republic	Real Estate	100	100	**100.000**	100.000
Rustonka Court s.r.o.	Czech Republic	Real Estate	100	-	**100.000**	-
					202.703	102.703

On 15 May 2018, a new wholly owned subsidiary was incorporated namely Rustonka Court s.r.o.. The Company contributed in the share capital of the newly formed subsidiary the amount of CZK100.000.

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

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

13. Loans receivable

	2018	2017
	CZK	CZK
Credit facility to own subsidiaries (Note 21.3)	**903.140.000**	903.140.000
Credit facility to own subsidiaries - accrued interest (Note 21.3)	**122.295.301**	65.796.119
Credit facility to own subsidiaries - impairment (Note 21.3)	**(471.313)**	-
	1.024.963.988	968.936.119

On 12 September 2016 an agreement was signed with the subsidiary undertaking Rustonka Development s.r.o. under which Gramexo PLC agreed to provide financial assistance to the subsidiary, in the form of a loan, up to the amount of CZK1.100.000.000 with maturity date of 31 August 2021. The loan bears interest at the fixed rate of 6.52% per annum and it is unsecured. As of 1 July 2018 an amendment agreement was signed whereby the interest rate was changed to 6.00% per annum. On 1 June 2018 an amount of CZK47.326.469 loan principal and interest was assigned to the newly formed subsidiary, Rustonka Court s.r.o.. As at the year ended 31 December 2018, the amount of loan principal granted to Rustonka Development s.r.o. was CZK860.831.870 and CZK115.788.643 accrued interest. Both the capital and the interest are repayable on 31 August 2021. The interest income for the current year amounted to CZK55.010.863 (2017: CZK57.199.097).

On 1 June 2018 the amount of CZK42.308.130 principal and CZK5.018.339 accrued interest was assigned from Rustonka Development s.r.o. to Rustonka Court s.r.o.. and from that date onwards Rustonka Court s.r.o. becomes the new debtor. The loan with Rustonka Court s.r.o. is up to the amount of CZK42.308.130, bears interest at the fixed rate of 6.00% per annum and it is unsecured. Both the capital and the interest are repayable on 31 August 2021. The interest income for the current year amounted to CZK1.488.319 (CZK: 2017 Nil).

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

On 17 August 2018 the Company entered into a subordination agreement with Rustonka Court s.r.o. and J&T Banka, a.s. whereby it is agreed that the Company's loan receivable from its subsidiary is fully subordinated to J&T Banka, a.s. who will have priority of repayment as Lender of Rustonka Court s.r.o..

The exposure of the Company to credit risk in relation to loans receivable is reported in note 6 of the financial statements.

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

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

	2018	2017
Loans receivable	**6,26%**	6,52%

14. Trade and other receivables

	2018	2017
	CZK	CZK
Deferred expenses (1)	**5.788**	423.480
	5.788	423.480

Trade receivables (continued)

14. Trade and other receivables (continued)

(1) In 2017, deferred expenses include an amount of CZK415.923 which is related to guarantee fees. These fees are resulting from a guarantee declaration agreement (dated 3 March 2015) issued by the related company, J&T Real Estate a.s. (as the guarantor) in favour of the buyer of the Company's investment in Development Pobrezni s.r.o.. In the event that in the future, Gramexo PLC as the seller would not be able to meet its obligations arising from the agreement on transfer of shares, if any, the guarantor would settle those obligations on its behalf. The guarantee declaration matures on 3 March 2018, and the relevant costs are amortised over a period of three years. The whole amount of CZK415.923 was expensed in the current year upon the maturity of the guarantee declaration.

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

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in note 6 of the financial statements.

15. Cash and cash equivalents

Cash balances are analysed as follows:

	2018 CZK	2017 CZK
Cash at bank	**305.007**	616.916
	305.007	616.916

Cash and cash equivalents by currency:

	2018 CZK	2017 CZK
Czech koruna	**202.095**	313.498
Euro	**102.912**	303.418
	305.007	616.916

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 6 of the financial statements.

16. Share capital

	2018 Number of shares	**2018 EUR**	**2018 CZK**	2017 Number of shares	2017 EUR	2017 CZK
Authorised						
Ordinary shares of €1,71 each	**15.205**	**26.000**		15.205	26.000	
Issued and fully paid						
Ordinary shares of €1,71 each						
Balance at 1 January	**15.205**	**26.000**	**702.094**	15.205	26.000	702.094
Balance at 31 December	**15.205**	**26.000**	**702.094**	15.205	26.000	702.094

16. Share capital (continued)

Each ordinary share has one vote and a right in the Company's residual profits.

17. Borrowings

	2018	2017
	CZK	CZK
Current borrowings		
Credit facilities (1)	**7.995.638**	-
Credit facilities - accrued interest	**346.256**	-
	8.341.894	-
Non-current borrowings		
Credit facilities (1)	**-**	2.558.665
Credit facilities - accrued interest	**-**	98.240
Bonds - capital amount (2)	**904.900.814**	904.900.814
Bonds - accrued interest	**111.442.758**	57.149.638
	1.016.343.572	964.707.357
Total	**1.024.685.466**	964.707.357

Maturity of non-current borrowings:

	2018	2017
	CZK	CZK
Between two and five years	**1.016.343.572**	964.707.357

(1) During the year 2016, an unsecured credit facility for up to EUR35.000, was received from J&T Real Estate Private Equity B.V., carrying interest at the fixed rate of 5.10% per annum and repayable by 31 December 2019. During the current year, the loan facility limit was increased to EUR500.000. The total interest expense for the year amounted to CZK247.384 (2017: CZK89.527).

(2) During the year 2016, Gramexo PLC (the issuer) entered into an agreement called 'Mandate Agreement on Provision of the Issue of Certificate' with J&T IB and Capital Markets a.s. and a separate agreement with J&T Banka a.s. for the administration of the issued certificates. The issuer decided to issue unsecured and unsubordinated certificates in registered form, as bearer securities (bonds), in the total anticipated aggregate principal amount of CZK1.395.000.000, in the expected quantity of 46,500 certificates with the expected nominal value of each certificate amounting to CZK30.000, at initial issue price in the amount of CZK23.228 (77,43%), due in 2021. On various dates in 2017, the Company issued 11.000 certificates for the total issue price of CZK260.808.986 (CZK23.710, 79,03% issue price). The total transaction costs of CZK4.566.661 relating to this issue were capitalised in the capital amount of the Bond. The total interest expense for the year amounted to CZK54.293.120 (2017: CZK49.948.960). As at the year ended 31 December 2018, the issued certificates amounted to 39.300 (2017: 39.300 certificates) with a total aggregate principal amount of CZK1.179.000. The issue offer period ended on 12 September 2017. The certificates are listed in Prague stock exchange market, with ISIN of CZ0003514861.

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

	2018	2017
Bonds	**5,64%**	5,64%
Credit facilities	**5,10%**	5,10%

17. Borrowings (continued)

The Company borrowings are denominated in the following currencies:

	2018	2017
	CZK	CZK
Czech Koruna	**1.016.343.572**	962.050.452
Euro	**8.341.894**	2.656.905
	1.024.685.466	964.707.357

18. Trade and other payables

	2018	2017
	CZK	CZK
VAT	**-**	4.853
Accruals	**976.988**	1.214.334
Other creditors	**556.944**	509.079
	1.533.932	1.728.266

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

	2018	2017
	CZK	CZK
Czech koruna	**5.700**	408.911
Euro	**1.528.232**	1.319.355
	1.533.932	1.728.266

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

19. Current tax liabilities

	2018	2017
	CZK	CZK
Corporation tax	**606.891**	943.321
Special contribution for defence	**246**	244
	607.137	943.565

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

20. Operating Environment of the Company

20.1 Cyprus

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

20. Operating Environment of the Company (continued)

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

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

20.2 Czech Republic

The Czech Republic is a parliamentary democracy, with separate legislative, executive and judicial powers. The parliament has two chambers (Chamber of Deputies and the Senate). The president is elected by the people for a five-year term. Milos Zeman was inaugurated as the president of the Czech Republic for the first time on 8 March, 2013 and again for his second term on 8 March 2018. The Prime Minister is appointed by the President, based on parliamentary election results. As the Czech Republic is a parliamentary democracy, the bulk of political power lies with the Prime Minister.

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.

Czech Republic is a generally recognized as an open market economy whose ability and willingness to pay its liabilities puts it, according to prestigious rating agencies, into the investment level. The country enjoys positive ratings from international rating companies (for the year 2018: Moody's A1 (Positive); Standard and Poor's AA- (Stable); Fitch AA- (Stable)).

GDP of the country grew in 2018 at rate of 2,9%, which was slower compared with 4,5% in 2017, but European Committee expects the GDP growth to keep stable around 2,8% for next 2 years. Annual inflation rate during 2018 rose to a level of 2,3% (1,9% in PY). Unemployment rate continued decreasing in 2018, hitting historical low of average 3,1% (4,1% in PY). Average monthly wage (gross) in the country represented 1.2225 EUR in 2018, what is an 8% increase compared with 1.130 EUR in 2017.

As a member of the European Union, the Czech Republic is bound by the laws of the EU with regard to trade, finance and employment. The country is a member of the OECD, NATO, and integrated in the WTO and the IMF. To ensure protection of foreign investments in the country, the Czech Republic is also a party to the Multilateral Investment Guarantee Agency (MIGA). As a signatory to the General Copyright Treaty, the country is obliged to protect the copyright, patents and trademarks of businesses and individuals.

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.

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

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

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

20. Operating Environment of the Company (continued)

On the basis of the evaluation performed the Company's management has concluded that an impairment charge on the loans receivables is necessary (note 13).

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

21. Related party balances and transactions

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

The related party balances and transactions are as follows:

21.1 Directors' remuneration

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

	2018	2017
	CZK	CZK
Directors' fees	**24.209**	25.747
	24.209	25.747

21.2 Interest income and expense

	2018	2017
	CZK	CZK
Loan interest income from subsidiaries (Note 13)	**56.499.182**	57.199.097
Loan interest expense from related company (Note 17)	**(247.384)**	(21.161)

21.3 Credit facility to subsidiaries (Note 13)

	2018	2017
	CZK	CZK
Capital amount	**903.140.000**	903.140.000
Accrued interest	**122.295.301**	65.796.119
Accumulative impairment charge	**(471.313)**	-
	1.024.963.988	968.936.119

For details refer to Note 13.

21.4 Borrowings from related company (Note 17)

	2018	2017
	CZK	CZK
Capital amount	**7.995.638**	2.558.665
Accrued interest	**346.256**	98.240
	8.341.894	2.656.905

For details refer to Note 17.

21. Related party balances and transactions (continued)

21.5 Deferred expenses from related company (Note 14)

	2018	2017
	CZK	CZK
Deferred expenses	**-**	423.480
	-	423.480

For details refer to Note 14.

22. Commitments

As explained in note 13 of the financial statements, Gramexo Plc has entered into an agreement for the provision of finance to its subsidiaries for the amount of CZK1.100.000.000 until 30 August 2021. As at 31 December 2018, an amount of CZK196.860.000 had not been requested by the borrowers (2017: CZK196.860.000)

The Company is committed to J&T Real Estate CZ a.s. to pay the amount of CZK28.000.000 in case that the subsidiary company Rustonka Development s.r.o. is sold above the amount of CZK242.100.000 before 31 December 2021. The amount will be paid in 2019 upon sale of the subsidiary (note 24).

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

23. Accounting policies up to 31 December 2017

Accounting policies applicable to the comparative period ended 31 December 2017 that were amended by IFRS 9, are as follows.

Financial instruments

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

Loans granted

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

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

23. Accounting policies up to 31 December 2017 (continued)

Financial instruments (continued)

Financial assets

(1) Classification

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

— Loans and receivables

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

(2) Recognition and measurement

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

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

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

24. Events after the reporting period

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

On 29 May 2019, the Company received TCZK4.975.844 from Rustonka Development s.r.o. for full settlement of the loan receivable principal and accrued interest as at that date.

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