



# ANNUAL REPORT 2022



**Julius Meinl Living**

BY HOUSE OF JULIUS MEINL

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# Julius Meinl Living at a glance

Julius Meinl Living PLC acquires prime real estate assets either as existing serviced residences or for development into serviced residences. The group manages and operates its properties itself.

The flagship properties are trading under the brand name “The Julius” – drawing on the Julius Meinl family’s 160-years of activity as retail pioneers and creators of the Viennese food emporium Julius Meinl am Graben.

The Julius draws on the family’s legacy of service, quality and innovation and balances luxury and modern design with warmth, comfort and convenience. Evoking the timeless standard and spirit of European hospitality through a modern mindset, The Julius creates a place where our guests can stay, enjoy the services of luxury hospitality and feel the freedom of their homes.

The Julius is a new hospitality brand that comes with an established history as part of the House of Julius Meinl. Today, we combine our tradition with a spirit of innovation to develop and operate dynamic, authentic, and intimate spaces in vibrant neighbourhoods. Guests will experience hassle-free access, easy-to-use technology and flexible amenities, whether staying for one night, one month or longer.

As of year-end 2022 Julius Meinl Living PLC owned two properties – the flagship The Julius in Prague which opened in Spring 2022 and a serviced residence in Budapest which the group acquired in 2021 and that for the time being will continue to operate under the name Escala Hotel & Suites, pending re-development.

Various additional properties, existing serviced residences as well as development projects, across Europe are under consideration and we expect to announce further acquisitions soon.



# Key figures

		2022	2021
Net Revenues	EUR	3,455,913	775,497
Profit before tax	EUR	9,483,583	6,524,266
Profit for the year	EUR	6,740,291	4,826,618
Total assets	EUR	124,344,232	113,974,910
Equity	EUR	42,266,100	35,219,735
Liabilities	EUR	82,078,132	78,755,175
Earnings per share	EUR	6.44	4.61
Total number of properties	#	2	2
Total number of apartments/rooms	#	219	219





# Letter of the board

Dear Stakeholders,

The year 2022 has been the most exciting year in our history so far.

On the development side we have completed the construction of our first flagship property. The Julius in Prague opened in Spring 2022 and was very well received from the beginning, achieving an occupancy in excess of 80% just a few months after opening its doors. Total revenues for 2022 amounted to almost EUR 4.8m, more than 14% above the budgeted revenues for the first months of operation.

The Escala Hotel & Suites in Budapest which we had acquired in 2021 showed a very positive performance during the first full year under our control with monthly occupancy rates of up to 88% - significantly above the level at the time of the takeover. Total revenues for 2022 amounted to over EUR 1.5m, 12% above the forecasted figures for the year 2022 and at the same time again the same revenue level as before the Covid crisis.

Julius Meinl Living continues to work on a pipeline of additional properties located in major cities across Europe, where we see attractive possibilities for our future expansion. We have identified various suitable existing serviced residences as well as development projects and are confident that we can announce new additions to our portfolio soon. Having laid the founding stone with our opening of The Julius in Prague last year, we are very positive for the future development of our group.

After the sometimes challenging times over the last two years due to the Covid situation, people are eager to

return to travel, as we experienced in our properties in 2022 already. The hospitality sector and in particular the serviced residence sector should benefit strongly through 2023 and beyond, despite of the fact that the current geopolitical situation creates new challenges continuously.

Julius Meinl Living, as a company whose roots reach back over six generations, also recognizes the importance of minimising the impact of its business on the environment and maximizing social and economic benefits for the local community. Doing so, we strive to enhance the cultural heritage within the setting of our residences: When we re-develop historical properties our aim is to achieve the highest possible LEED building standards.

The same applies for existing serviced residences that we acquire, where environmental aspects are being taken into account during the acquisition process and thereafter during operations. Environmental aspects are also being taken into account in case of planned refurbishments in existing serviced residences. Our aim is to remain a frontrunner in sustainability also in the future.

Looking at our further expansion, the strategy of Julius Meinl Living has two elements: The main objective is to develop The Julius into the pre-eminent collection of premium serviced residences in Europe by acquiring development projects as well as existing serviced residences that are suitable to be developed or converted to a property under The Julius brand. Additionally, where the resulting cash generation is immediate and attractive, Julius Meinl Living may opportunistically acquire other existing serviced residence properties.

Julius Meinl Living believes that it is well-placed to outperform the sector, as its unique business model, strong financial position, depth of capability and expertise, as well as the group's development pipeline across Europe continue to position it well.

Sincerely Yours  
Julius Meinl Living PLC





THE JULIUS



In addition to the group's current assets Julius Meinl Living continues to work on a pipeline of additional properties across Europe.

In so doing, Julius Meinl Living aims for The Julius to become a genuine pan-European brand. The map below indicates some regions where Julius Meinl Living is analysing potential acquisition projects but the group is evaluating properties in other locations too.



# The Julius Prague



The Julius Prague is located in the city centre of Prague close to the main retail streets and to Wenceslas Square. The area has always been one of the most attractive destinations in Prague for domestic and foreign visitors, for cultural events and other commercial purposes. The surrounding area is of mixed-use nature including shopping centres, restaurants, financial institutions, hotels and residential buildings.

After a full reconstruction of the property to a serviced residence according to the standards of Julius Meinl Living the property accommodates 168 apartments with apartment sizes ranging from 30 sqm for studios to 70 sqm for 2 bedroom apartments. The Julius Prague also includes a lounge, two bars, a restaurant capable of seating approximately 100 guests as well as meeting rooms, a gym and 29 parking spaces for guests arriving by

car. Also there is a House of Julius Meinl brand emporium stocking a curated range of retail products located in the same building.

During the redevelopment Julius Meinl Living worked intensively with the principal designer Matteo Thun & Partner on the adjustment of its extended stay concept The Julius, which shall be also implemented in future properties to be developed under that brand. The concept shall allow the operation of the residences with the lowest number of staff possible, while ensuring at the same time a high level of customer satisfaction by implementing high quality materials and state of the art technology.

The official opening after the reconstruction took place in Spring 2022. From the beginning the residence received very positive guest reviews accompanied by occupancy and daily





rates that exceeded Julius Meinl Living's expectations and forecasts: Even though the property was newly opened The Julius Prague achieved occupancy rates in some months in excess of 80% and by this achieving an occupancy above the forecasts as expected by the Group's valuation agency.

Also the ADR and RevPar was above forecasts: In total the property achieved an ADR in 2022 of EUR 167, approximately 10% above the projections and the RevPar of EUR 108 was even approximately 37% above the projections.

Total revenues for 2022 amounted to EUR 4.8m, more than 14% above the budgeted revenues.

The market value of the property as of the year-end 2022 amounted to EUR 102m.

# The Escala Budapest



The Escala Hotel & Suites Budapest is located in the Corvin district in Budapest, next to the Corvin Shopping Centre and 500 metres from the Corvin-negyed Metro Station.

The Escala Hotel & Suites Budapest is an operating serviced residence that Julius Meinl Living acquired in Summer 2021.

The property currently has currently 51 apartments with an average size of 48 sqm – all have a fully equipped kitchen, a dining area and most of them include a private balcony or terrace. There is also a breakfast lounge and parking for 20 cars.

Julius Meinl Living is planning to undertake some investments in the property to protect and enhance the value going forward, whilst keeping the property fully in operation.



As part of this investment, some spaces in the building are being converted to create additional apartments.

The Escala Hotel & Suites Budapest traded well in 2022: Occupancy across the year was 74% and in some months was as high as 88%. Total revenues for 2022 exceeded EUR 1.5m, which is 12% above budget for the year and at approximately the same level as in 2019, before the Covid crisis.

ADR and RevPar was also above forecasts: The property achieved in 2022 an ADR of EUR 88, approximately 9% above the projections and the RevPar amounted to EUR 73, more than 13% above the projections.

The purchase price for the property amounted to EUR 7m. The market value for the property as of year-end 2022 amounted to EUR 10m.



CONSOLIDATED  
FINANCIAL STATEMENTS  
YEAR END 2022



**Julius Meinl Living**

BY HOUSE OF JULIUS MEINL



# **Julius Meinl Living**

**Julius Meinl Living plc**

**C 76799**

**Report and consolidated financial statements**

**Year ended 31 December 2022**

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**Directors, officer, and other information**

*Directors:* Edward Camilleri  
Nadine Elisabeth Gilles  
Nicholas Hill  
Erik Webb Dempsey  
Julius Max Franz Christian Meinl

*Secretary:* Michael Scicluna

*Registered office:* Office 16  
Verdala Business Centre  
Level 1  
LM Complex  
Brewery Street  
Zone 3, Central Business District  
Birkirkara CBD 3040  
Malta

*Country of incorporation:* Malta

*Company registration number:* C 76799

*Auditor:* Grant Thornton  
Fort Business Centre  
Triq L-Intornjatur, Zone 1  
Central Business District  
Birkirkara CBD 1050  
Malta

## Directors' report

The directors present their report and the audited consolidated financial statements of Julius Meinl Living plc (the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2022.

## Principal activity

The principal activity of the Group is to invest in, potentially develop and subsequently manage and operate real estate in the hospitality sector mainly in major cities across Europe, where we see attractive possibilities for our future expansion. The Group focuses in particular on the investment in serviced residences.

At the end of 2022 the Group, through subsidiaries owned two serviced residences which are both in operation:

The Group owns and operates a serviced residence in Prague, Czech Republic, which was opened after a full reconstruction of the property in spring 2022: During the development of the serviced residence, now known under the name THE JULIUS, the Group worked intensively with the principal designer Matteo Thun & Partner on the final adjustment of its to extended stay concept THE JULIUS, which shall be also implemented in future properties to be developed under that brand: a serviced residence property where the majority of the units have sizes of 35 sqm and more and own include kitchenettes. The units are finished in high quality materials and state of the art technology. The concept shall allow the operation of the residences with the lowest number of staff possible, while ensuring a high level of occupancy and customer satisfaction at the same time.

Following the completion of the redevelopment and the opening in spring 2022, it was confirmed that the concept was well appreciated. From the beginning the Group received very positive reviews from guests accompanied by occupancy and daily rates that exceeded the Group's expectations. Overall, THE JULIUS Prague exceeded its budgeted forecasts for 2022 with achieving occupancy rates in some months in excess of 80% just a few months after opening its doors and total revenues for 2022 amounted to over €4.8 million, more than 14% above the budgeted revenues for the first months of operation. Numerous positive reports in local and international media also confirm that the concept is well suited to meet the preferences and requirements of today's travelers.

In addition, the Group owns and operates a serviced residence, The Escala Hotel and Suites in Budapest, Hungary, which was acquired in 2021. Also this serviced residence exceeded the budgeted forecast for the year 2022: The Escala Hotel & Suites achieved occupancy rates of up to 88% and the total revenues for 2022 amounted to over €1.5 million, 12% above the forecasted figures for the year 2022 and at the same time again the same revenue level as in 2019, before the Covid crisis.

## Performance review

During the period under review, the Group registered a profit after tax of €6,740,291 (2021: €4,826,618) arising primarily from an increase in the fair value of investment properties.

The shareholders' funds at the end of the reporting period amounted to €42,266,100 (2021: €35,219,735).

## Result and dividends

The result for the year ended 31 December 2022 is shown in the consolidated statement of comprehensive income on page 6.

No dividend is being recommended by the directors.

### **Future business developments**

Going forward, the Group, will invest in and intends to become a major developer, owner and operator in the serviced residences sector.

Serviced residences are also referred to as apart-hotels, extended stays, serviced apartments or all-suite hotels and constitute an established alternative to classical hotels. The growth of this sub-segment of the hospitality industry has taken off mainly in the United States several years ago and has since made its showings in certain parts of Western Europe, Asia and Australia. Typically leased for periods from a few days to several months, serviced residences represent a mix between traditional hotel accommodation and residential housing; they seek to combine the advantages of a hotel, mainly central location and comfort, with those of an apartment, such as larger space, own kitchen and a work area. They are particularly well suited for corporate travellers, for whom they present a compelling alternative to hotels, particularly if they have to remain in a location for a job assignment for several weeks.

The Group, aims to be one of the first movers in the serviced residences sector in the European region by rolling out its concept across the capital cities in the region. It intends to introduce a new standard to the market which sharply contrasts with many of the lower quality offerings in this segment in the target markets.

Feasibility study reports confirmed that there is a high demand for high quality serviced residences in the region.

In addition, the Group plans to undertake in-house certain ancillary activities in the area of property development and property management.

These activities shall serve primarily the development of projects of the Group but may also be deployed for projects owned by third party entities against adequate service fee income.

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

### **Post-balance sheet events**

Since the end of the reporting period, the Group has continued to work on its strategy to become a major player in the serviced residences sector. This has involved efforts to identify additional projects meeting the Group's criteria for expansion, with concrete opportunities being pursued in various regions.

There are no adjusting or other significant non-adjusting events occurred between the end of the reporting period and the date of authorization by the Board.

### **Directors**

The directors who served during the period were:

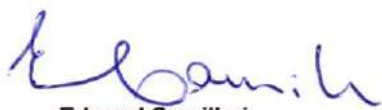
Edward Camilleri  
Nadine Elisabeth Gilles  
Nicholas Hill  
Erik Webb Dempsey  
Julius Max Franz Christian Meinl

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


**Auditor**

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

Approved by the board of directors and signed on its behalf on 6<sup>th</sup> April 2023 by:



**Edward Camilleri**  
Director



**Erik Webb Dempsey**  
Director

**Statement of directors' responsibilities**

The directors are required by the Companies Act (Cap 386) to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the European Union which give a true and fair view of the state of affairs of the Group at the end of each financial year and of the profit or loss of the Group for the year then ended. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- account for income and charges relating to the accounting year on an accruals basis;
- value separately the components of asset and liability items;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business as a going concern; and
- report comparative figures corresponding to those of the preceding accounting period.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Group and which enable the directors to ensure that the financial statements comply with the Companies Act (Cap 386). This responsibility includes designing, implementing, and maintaining such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the Group, and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Consolidated statement of comprehensive income**  
**Year ended 31 December 2022**

		<b>2022</b>	2021
	<i>Notes</i>	<b>€</b>	<b>€</b>
<b>Net revenue</b>	6	3,455,913	775,497
General and administrative expenses		(6,217,947)	(3,885,760)
Net finance costs	7	(4,111,933)	(2,366,852)
Net foreign exchange differences		1,481,298	1,968,558
Write-off of investment property	16	-	(2,524,551)
Fair value gain on investment properties	16	14,876,252	12,716,215
Impairment of goodwill	12	-	(158,841)
<b>Profit before tax</b>	8	<u>9,483,583</u>	<u>6,524,266</u>
Income tax expense	10	(2,743,292)	(1,697,648)
<b>Profit for the year</b>		<u><u>6,740,291</u></u>	<u><u>4,826,618</u></u>
<b>Other comprehensive income</b>			
<i>Items that will be reclassified subsequently to profit or loss:</i>			
Deferred exchange differences		<u>306,074</u>	<u>972,131</u>
<b>Total comprehensive income</b>		<u><u>7,046,365</u></u>	<u><u>5,798,749</u></u>
<b>Profit for the year attributable to owners of the parent company</b>		<u><u>6,740,291</u></u>	<u><u>4,826,618</u></u>
<b>Basic earnings per share</b>	11	<u><u>6.44</u></u>	<u><u>4.61</u></u>

The notes on pages 11 to 44 form an integral part of these consolidated financial statements.

**Consolidated statement of financial position**  
**31 December 2022**

	<i>Notes</i>	<b>2022</b>	2021
		€	€
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Goodwill	12	369,449	368,278
Property and equipment	13	308,342	283,414
Right-of-use asset	14	17,541	46,191
Intangible asset	15	567	887
Investment properties	16	112,500,132	93,998,761
Loans and receivables	17	45,985	299,798
		<u>113,242,016</u>	<u>94,997,329</u>
<b>Current assets</b>			
Loans and receivables	17	938,015	966,199
Other current assets	18	467,944	423,646
Inventories	19	597,114	509,313
Cash and cash equivalents	21	9,099,143	17,078,423
		<u>11,102,216</u>	<u>18,977,581</u>
<b>Total assets</b>		<u>124,344,232</u>	<u>113,974,910</u>
<b>Current liabilities</b>			
Trade and other payables	22	3,026,440	6,880,383
Bank borrowings	25	575,868	425,735
Lease liability	23	17,471	31,295
Current tax liability		30,783	49,525
		<u>3,650,562</u>	<u>7,386,938</u>
<b>Non-current liabilities</b>			
Bank borrowings	25	38,591,600	34,553,168
Other financial liabilities	26	2,303,050	2,468,202
Lease liability	23	-	18,671
Debt securities in issue	24	29,520,573	29,204,166
Deferred tax liabilities	20	8,012,347	5,124,030
		<u>78,427,570</u>	<u>71,368,237</u>
<b>Total liabilities</b>		<u>82,078,132</u>	<u>78,755,175</u>
<b>Net assets</b>		<u>42,266,100</u>	<u>35,219,735</u>

Consolidated statement of financial position  
31 December 2022

	Notes	2022 €	2021 €
<b>EQUITY</b>			
Share capital	27	1,011,651	1,011,651
Share premium	28	9,000,000	9,000,000
Translation reserve		900,983	594,909
Retained earnings		31,353,466	24,613,175
<b>Total equity</b>		<u>42,266,100</u>	<u>35,219,735</u>

The notes on pages 11 to 44 form an integral part of these consolidated financial statements.

These consolidated financial statements were approved by the board of directors, authorised for issue on 6<sup>th</sup> April 2023 and signed on its behalf by:



**Edward Camilleri**  
Director



**Erik Webb Dempsey**  
Director



**Consolidated statement of changes in equity**  
**31 December 2022**

	Share capital €	Share premium €	Translation reserve €	Retained earnings €	Total equity €
<b>Balance at 1 January 2021</b>	1,011,651	9,000,000	(377,222)	19,786,557	29,420,986
Profit for the year	-	-	-	4,826,618	4,826,618
Other comprehensive income	-	-	972,131	-	972,131
<b>Balance at 31 December 2021</b>	<u>1,011,651</u>	<u>9,000,000</u>	<u>594,909</u>	<u>24,613,175</u>	<u>35,219,735</u>
<b>Balance at 1 January 2022</b>	1,011,651	9,000,000	594,909	24,613,175	35,219,735
Profit for the year	-	-	-	6,740,291	6,740,291
Other comprehensive income	-	-	306,074	-	306,074
<b>Balance at 31 December 2022</b>	<u>1,011,651</u>	<u>9,000,000</u>	<u>900,983</u>	<u>31,353,466</u>	<u>42,266,100</u>

The notes on pages 11 to 44 form an integral part of these consolidated financial statements.

**Consolidated statement of cash flows**  
**Year ended 31 December 2022**

	Notes	2022 €	2021 €
<b>Cash flows from operating activities</b>			
Profit before tax		9,483,583	6,524,266
Non-cash adjustments	31	(12,154,815)	(9,289,350)
Changes in working capital	31	(4,020,284)	2,564,973
Interest received		-	21,665
Taxes paid		(26,752)	(70,238)
<i>Net cash flows used in operating activities</i>		<u>(6,718,268)</u>	<u>(248,684)</u>
<b>Cash flows from investing activities</b>			
Payments to acquire subsidiary		-	(5,136,732)
Payments to acquire property and equipment		(78,125)	(52,824)
Net payments to develop investment properties		(1,726,475)	(21,489,326)
<i>Net cash flows used in investing activities</i>		<u>(1,804,600)</u>	<u>(26,678,882)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		4,188,565	30,433,061
Interest paid on borrowings		(1,482,566)	(25,631)
Repayments of debt securities issued		-	(1,213,476)
Interest paid on debt securities issued		(2,100,000)	(2,129,286)
Repayment of lease obligations		(32,495)	(31,295)
Interest paid on lease obligations		(2,782)	(4,333)
<i>Net cash flows generated from financing activities</i>		<u>570,722</u>	<u>27,029,040</u>
<b>Net movement in cash and cash equivalents</b>		(7,952,146)	101,474
<b>Cash and cash equivalents at the beginning of the year</b>		17,078,423	16,518,235
Effect of foreign exchange rate changes		(27,134)	458,714
<b>Cash and cash equivalents at the end of the year</b>	21	<u>9,099,143</u>	<u>17,078,423</u>

The notes on pages 11 to 44 form an integral part of these consolidated financial statements.

## Notes to the consolidated financial statements

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

Julius Meinl Living plc (the “Company”), a public limited company, is domiciled in Malta. These consolidated financial statements incorporate the financial statements of the Company and entities it controls (its subsidiaries) (collectively referred to as the “Group”).

The consolidated financial statements have been prepared under the historical cost convention, except for investment properties, which are stated at fair value, and in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU). These consolidated financial statements have also been drawn up in accordance with the provisions of the Companies Act (Cap 386).

### 2. Functional and presentation currency

These consolidated financial statements are presented in euro, which is the Group’s functional currency.

### 3. New or revised standards or interpretations

#### 3.1 *New standards adopted as at 1 January 2022*

Some accounting pronouncements which have become effective from 1 January 2022 and have therefore been adopted do not have a significant impact on the group’s financial results or position. Accordingly, the group has made no changes to its accounting policies in 2022.

Other standards and amendments that are effective for the first time in 2022 and could be applicable to the group are:

- Reference to the Conceptual Framework (Amendments to IFRS 3)
- COVID-19 – Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)
- Property, Plant and Equipment: Proceeds Before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements (2018-2020 Cycle):
  - Subsidiary as a First-time Adopter (Amendments to IFRS 1)
  - Fees in the ‘10 per cent’ Test for Derecognition of Liabilities (Amendments to IFRS 9)
  - Lease Incentives (Amendments to IFRS 16)
  - Taxation in Fair Value Measurements (Amendments to IAS 41).

These amendments do not have a significant impact on these consolidated financial statements and therefore no additional disclosures have been made.

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

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

Other standards and amendments that are not yet effective and have not been adopted early by the group include:

- IFRS 17 Insurance Contracts
- Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4)

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Deferred Tax related to Assets and Liabilities from a Single Transaction
- Disclosure of Accounting Policies (Amendments to IAS 1)
- Definition of Accounting Estimates (Amendments to IAS 8)

These amendments are not expected to have a significant impact on the consolidated financial statements in the period of initial application and therefore no disclosures have been made.

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

#### 4. Summary of significant accounting policies

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below.

##### 4.1 *Overall considerations and presentation of consolidated financial statements*

The consolidated financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

##### 4.2 *Basis of consolidation*

The Group's financial statements consolidate those of the parent company and all of its subsidiary undertakings drawn up to 31 December 2022. Subsidiaries are all entities over which the Group has power to control the financial and operating policies. Julius Meintl Living plc and its subsidiaries obtain and exercise control through voting rights. All subsidiaries have a reporting date of 31 December.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

##### 4.3 *Business combinations*

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

#### **4.4 Goodwill**

Goodwill on acquisition is initially measured at cost being the excess of the cost of acquisition over the fair value of identifiable assets, liabilities and contingent liabilities taken over at the date of acquisition. The Group assesses whether there are any indicators that goodwill is impaired at each reporting date.

#### **4.5 Investment properties**

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

Subsequent to initial recognition, investment properties are measured at fair value at the end of the reporting period. Gains or losses arising from changes in the fair value of investment properties are recognised in profit or loss in the period in which they arise.

#### **4.6 Property and equipment**

Property and equipment are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group's management. Property and equipment are subsequently measured at cost, less accumulated depreciation and impairment losses, if any.

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

- Office equipment 2–5 years
- Motor vehicle 3–12 years

Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

#### **4.7 Impairment of goodwill and property and equipment**

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

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

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

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

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

#### **4.8 Financial instruments**

##### **Recognition and derecognition**

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

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

##### **Classification and initial measurement of financial assets**

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

Financial assets are classified into the following categories:

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

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

The classification is determined by both:

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

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

##### **Subsequent measurement of financial assets**

###### **Financial assets at amortised cost**

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

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

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

**Impairment of financial assets**

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

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

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

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

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

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

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

**Classification and measurement of financial liabilities**

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

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

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

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

**4.9 Revenue and expense recognition**

Revenue arises mainly from management services, residence operations, and finance income.

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

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

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

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

#### ***Management services***

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

#### ***Rental income***

Rental income represents revenue from residence operations which are recognized during the period when the relevant service has been rendered.

#### ***Finance income***

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

#### ***Expenses***

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

#### **4.10 *Borrowing costs***

Borrowing costs include the costs incurred in obtaining external financing.

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



#### 4.11 Leases

##### ***The Group as a lessee***

The Group makes the use of leasing arrangements principally for the provision of office spaces with lease terms of 5.5 years without any extension terms. The Group does not enter into sale and leaseback arrangements.

The Group assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

##### ***Measurement and recognition of leases as a lessee***

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

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

#### 4.12 Inventories

Inventories are stated at the lower of cost and net realisable value of the separate items or group of similar items. Cost is determined by the average method. Net realisable value is the price at which stock can be realised.

#### **4.13 Taxation**

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

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

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

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

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

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

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

#### **4.14 Employee benefits**

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

#### **4.15 Foreign currencies**

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

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

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

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the disposed entity are reclassified to profit or loss.

#### **4.16** *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **4.17** *Equity, reserves and dividend payments*

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

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

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

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

All transactions with owners are recorded separately within equity.

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

#### **4.18** *Provisions*

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

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

Any reimbursement that the Group is virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the

related provision. All provisions are reviewed at each reporting period and adjusted to reflect the current best estimate of the management.

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

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

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

### **Significant management judgement**

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

#### *Recognition of deferred tax assets*

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

### **Estimation uncertainty**

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

#### *Impairment of goodwill and property and equipment*

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

#### *Useful lives and residual values of depreciable assets*

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

#### *Inventories*

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

#### *Business combinations*

Management uses various valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination (see Note 4.3).

*Fair value measurement*

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

**6. Net revenue**

	<b>2022</b>	2021
	€	€
Net property income (note 6.1)	3,309,619	293,061
Management services	15,366	41,952
Penalties receivable from general contractor	-	425,091
Other income	130,928	15,393
Net revenue	<u>3,455,913</u>	<u>775,497</u>

**6.1 Net property income**

	<b>2022</b>	2021
	€	€
Rental income	6,300,271	424,518
Property expenses	<u>(2,990,652)</u>	<u>(131,457)</u>
	<u>3,309,619</u>	<u>293,061</u>

As at 31 December 2022, the Group, through its subsidiaries, owned two serviced residences, which are both under operation, as follows:

1. Serviced residence in Prague, Czech Republic, known under the name THE JULIUS was opened in spring 2022.
2. Serviced residence, The Escala Hotel and Suites in Budapest, Hungary, which was acquired and operated already in 2021.

**7. Net finance costs**

	<b>2022</b>	2021
	€	€
Interest expense on debt securities issued	(2,672,768)	(2,379,138)
Interest expense on leases	(2,782)	(4,333)
Interest expense on borrowings	(1,438,269)	(25,631)
Finance income	1,886	42,250
Net finance costs	<u>(4,111,933)</u>	<u>(2,366,852)</u>

**8. Profit before tax**

Profit before tax is stated after charging the items below:

	<b>2022</b>	2021
	€	€
Auditor's remuneration	70,867	58,236
Key management personnel compensation (note 9)	65,000	65,000
Depreciation and amortisation	90,802	345,179
	<u>90,802</u>	<u>345,179</u>

**9. Key management personnel compensation**

	<b>2022</b>	2021
	€	€
Directors' remuneration	65,000	65,000
	<u>65,000</u>	<u>65,000</u>

**10. Income tax expense**

	<b>2022</b>	2021
	€	€
Deferred tax expense	(2,735,282)	(1,684,349)
Current tax expense	(8,010)	(13,299)
	<u>(2,743,292)</u>	<u>(1,697,648)</u>

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

	<b>2022</b>	2021
	€	€
Profit before tax	9,483,583	6,524,266
Tax at the applicable rate of 35%	(3,319,255)	(2,283,493)
<i>Tax effects of:</i>		
Tax rate applicable in foreign jurisdictions	2,232,379	(621,189)
Expenses not deductible for tax purposes	(2,283,253)	705,727
Accrued income	553,022	284,775
Unrealised foreign exchange differences	73,815	97,584
Notional interest deduction claimed	-	95,171
Flat rate foreign tax credit relief	-	116,114
Adjustment to previous year's tax charge	-	22,741
Consolidation adjustments	-	(115,078)
Income tax expense for the year	<u>(2,743,292)</u>	<u>(1,697,648)</u>

Refer to note 20 for details of deferred tax assets and liabilities.

## 11. Basic earnings per share

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

## 12. Goodwill

The movements in the net carrying amount of goodwill are as follows:

	<b>2022</b>	2021
	€	€
<b>Gross carrying amount</b>		
As at 1 January	527,119	158,841
Acquired through business combination (notes 12.1 and 12.2)	1,171	368,278
As at 31 December	<u>528,290</u>	<u>527,119</u>
<b>Accumulated impairment</b>		
As at 1 January	(158,841)	-
Impairment loss recognised	-	(158,841)
As at 31 December	<u>(158,841)</u>	<u>(158,841)</u>
<b>Carrying amount at 31 December</b>	<u>369,449</u>	<u>368,278</u>

In 2021, management made an assessment and determined that goodwill was impaired by €158,841. Loss arising from goodwill impairment is recognised in profit or loss.

### 12.1 Acquisition of Julius Meinl Innovative Living Management sro

	2022
	€
<i>Identifiable assets acquired and liabilities assumed</i>	
Net working capital	829
Total identifiable net assets	<u>829</u>

Goodwill was recognized as a result of the acquisition as follows:

	2022
	€
Total consideration	2,000
Total identifiable net assets	<u>(829)</u>
Goodwill	<u>1,171</u>

Resulting goodwill was based on fair values of the assets and liabilities of the acquired company.

### 12.2 Acquisition of Julius Meinl Hospitality Hungary Kft

	2021
	€
<i>Identifiable assets acquired and liabilities assumed</i>	
Investment property	6,395,056
Property and equipment	286,207
Right-of-use asset	1,319
Deferred tax liabilities	(85,284)
Net working capital	<u>(1,642,051)</u>
Total identifiable net assets	<u>4,955,247</u>

Goodwill was recognized as a result of the acquisition as follows:

	2021
	€
Total consideration	5,323,525
Total identifiable net assets	<u>(4,955,247)</u>
Goodwill	<u>368,278</u>

Resulting goodwill was based on fair values of the assets and liabilities of the acquired company.



## 13. Property and equipment

	2022	2021
	€	€
<i>Office equipment</i>		
<b>Cost</b>		
As at 1 January	539,787	192,012
Acquisition through business combination	-	288,886
Additions during the year	78,125	52,824
Foreign exchange adjustments	5,898	6,065
<b>As at 31 December</b>	<u>623,810</u>	<u>539,787</u>
<b>Depreciation</b>		
As at 1 January	330,677	33,402
Charge for the year	40,957	297,275
<b>As at 31 December</b>	<u>371,634</u>	<u>330,677</u>
<b>Net book value as at 31 December</b>	<u><u>252,176</u></u>	<u><u>209,110</u></u>
<i>Motor vehicles</i>		
<b>Cost</b>		
As at 1 January	123,698	119,329
Foreign exchange adjustments	1,920	4,369
<b>As at 31 December</b>	<u>125,618</u>	<u>123,698</u>
<b>Depreciation</b>		
As at 1 January	49,394	30,184
Charge for the year	20,058	19,210
<b>As at 31 December</b>	<u>69,452</u>	<u>49,394</u>
<b>Net book value as at 31 December</b>	<u><u>56,166</u></u>	<u><u>74,304</u></u>
<b>Total</b>	<u><u>308,342</u></u>	<u><u>283,414</u></u>

**14. Right-of-use asset**

	<b>2022</b>	2021
	€	€
<i>Office premises</i>		
<b>Cost</b>		
As at 1 January	130,145	127,050
Foreign exchange adjustments	881	3,095
<b>As at 31 December</b>	<u>131,026</u>	<u>130,145</u>
<b>Depreciation</b>		
As at 1 January	83,954	55,671
Charge for the year	29,531	28,283
<b>As at 31 December</b>	<u>113,485</u>	<u>83,954</u>
<b>Net book value as at 31 December</b>	<u><u>17,541</u></u>	<u><u>46,191</u></u>

Refer to note 23 for further details about the Group's leases.

**15. Intangible asset**

	<b>2022</b>	2021
	€	€
<i>Intellectual rights</i>		
<b>Cost</b>		
As at 1 January	1,298	-
Acquisition through business combination	-	1,331
Foreign exchange adjustments	(64)	(33)
<b>As at 31 December</b>	<u>1,234</u>	<u>1,298</u>
<b>Depreciation</b>		
As at 1 January	411	-
Charge for the year	256	411
<b>As at 31 December</b>	<u>667</u>	<u>411</u>
<b>Net book value as at 31 December</b>	<u><u>567</u></u>	<u><u>887</u></u>

## 16. Investment properties

	2022	2021
	€	€
<b>As at 1 January</b>	93,998,761	71,281,382
Additions during the year	1,561,323	23,133,641
Acquisition through business combination	-	6,454,912
Fair value gains	14,876,252	12,716,215
Write-off during the year	-	(22,271,329)
Foreign exchange adjustments	2,063,796	2,683,940
<b>As at 31 December</b>	<u>112,500,132</u>	<u>93,998,761</u>

Investment properties of the Group as at 31 December 2022 and 2021 relates to serviced residential and commercial properties located in Prague, Czech Republic, and in Budapest, Hungary.

The Group's project in Belgrade, Serbia, acquired in 2020, was terminated during the year. Fair value gain recognized in previous periods and released in 2021 was recognized in profit or loss amounting to €2,524,551.

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

The valuations and reports have been prepared in accordance with the RICS Valuation – Global Standards (“the Red Book”) by a valuer acting as an External Valuer, as defined within the Red Book. In respect of the property in Czech Republic, the market value was determined assuming full recovery to a pre Covid 19 environment is on a way at that time. The valuation of Investment property in Hungary has been prepared without any special assumptions being applied.

In Czech Republic, the investment property includes serviced residence, now known under the name THE JULIUS, which was opened in spring of 2022.

The valuer considered the following structure for this property.

1. The Julius aparthotel with 168 rooms with size from 23 to 60+ sqm, F&B area, conference space and 29 underground parking spaces.
2. The retail unit is operated under a lease agreement by reputable third-party operator.

In 2022, the valuer prepared valuation based on nominal discount rate of 8.25% and on basis of exit cap rate of 5.75% which represents the value of €102,415,753.

In 2021, the valuer prepared valuation based on low risk (6.75%), medium risk (7.75%) and high risk (8.75%) nominal discount rate and on basis of exit cap rate of 5.75%. Due to the current situation, the Group is following the most conservative high risk rate nominal discount rate of 8.75% which represents the value of €84,600,000.

In Hungary, investment property includes an Escala residence, Budapest.

The property consists of the following:

1. The Aparthotel element (51 rooms of average size of 47,5 sq m) operated by the owner.
2. A breakfast lounge on 110 sq m operated by the owner.
3. 20 underground parking spaces

The valuer prepared the valuation on basis of nominal discount rate of 11.9% (2021: 9.2%) and capitalization rate of 8.0% (2021: 7.5%) which represents the value of €10,084,379 (2021: €9,400,000).

The following table shows the valuation technique used in measuring the fair value of the investment properties as well as the significant unobservable inputs used.

<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between key unobservable inputs and fair value measurement</u>
<i>Discounted cash flows:</i>		<i>The estimated fair value would increase/(decrease) if:</i>
<p>The valuation model considers the present value of net cash flows to be generated from the property, taking into account, rental rates and expected rental growth rate, occupancy rate and void periods together reflected in vacancy rates, construction costs, opening and completion dates, lease incentive costs such as rent-free periods, taxes and other costs not paid by tenants. The expected net cash flows are discounted using the risk-adjusted discount rates plus the final year stream is discounted with the terminal capitalisation rate. Among other factors, discount rate estimation considers the type of property, location, tenants and lease terms.</p>	<p><b>PPH Nove Mesto s.r.o. property (Prague, Czech Republic)</b></p> <p>Average annual gross rental income of approx. €8,8 million in year 1 of cash flow increasing to €13.4 million from year 5 (2021: income of approx. €6.4 million in year 1 of cash flow increasing to €12 million from year 6)</p> <p>Occupancy rate in the range of 73% for year 1 to 82% from year 5 (2021: range of 55% for year 1 to 82% from year 5)</p> <p>Discount rate applied: 8.25% (2021: 8.75%)</p> <p>The exit yield considered to be 5.75% (2021: 5.75 %)</p>	<ul style="list-style-type: none"> <li>- Average rental rates were higher/(lower) hence higher/(lower) net rental income</li> <li>- The vacancy rates were lower/(higher)</li> <li>- The risk-adjusted discount rate were lower/(higher)</li> <li>- The exit yield lower/(higher)</li> </ul>
	<p><b>JM Hospitality Hungary Kft property (Budapest, Hungary)</b></p> <p>Average annual gross rental income of approx. €1.5 million in year 1 of cash flow increasing to nearly €2 million from year 5 (2021: income of approx. €1 million in year 1 of cash flow increasing to €2 million from year 6)</p> <p>Occupancy rate in the range of 79% for year 1 to 88% from year 4 (2021: range of 55% for year 1 to 90% from year 4)</p> <p>Discount rate applied: 11.85% (2021: 9.2%)</p> <p>The exit yield considered to be 8% (2021: 7.5 %)</p>	

Both properties are pledged as security for the related bank borrowings (see note 25).

## 17. Loans and receivables

	2022	2021
	€	€
Loans due from related parties	-	238,811
Trade receivables	112,713	11,651
Accrued income	49,985	27,668
Other receivables	252,118	130,792
<b>Financial assets</b>	<u>414,816</u>	<u>408,922</u>
Prepayments	429,505	616,455
VAT recoverable	139,679	240,620
<b>Total loans and receivables</b>	<u><u>984,000</u></u>	<u><u>1,265,997</u></u>
Non-current	45,985	299,798
Current	<u>938,015</u>	<u>966,199</u>
	<u><u>984,000</u></u>	<u><u>1,265,997</u></u>

On 3 July 2017, the Company and Stoneham Investments Limited (Stoneham) entered into a facility agreement whereby the Company is to provide Stoneham with a secured term loan facility up to € 500,000 which can be drawn in tranches. The balance bears interest at 8% per annum and is repayable together with interest accruing thereon on 31 December 2023, as per amended agreement between the parties signed on 29 December 2021. Both principal and interest are secured by a pledge on the 100% shareholding of the borrower in Twins Investment (SPV) Ltd, which is registered at Chrysanthou Mylona 3, 3030, Limassol, Cyprus.

However, management deems the outstanding principal of €158,020 (2021: *nil*) and accrued interest thereon of €56,630 (2021: *nil*) are irrecoverable, hence are recognised as bad debts.

In April 2018, the Company and OOO Soyuz Property Development (Soyuz) entered into loan agreements whereby amounts up to € 155,000 were granted to Soyuz. By means of a novation agreement dated 11 January 2021, the entire principal and accrued interest were assigned to Development Ural LLC. The balance of € 24,161 (2021: €188,179) is unsecured, bears interest at 8% per annum and is repayable together with interest accruing thereon on 31 December 2023, as per amended agreement between the parties signed on 29 December 2021.

However, management deems the outstanding principal of €23,043 (2021: *nil*) and accrued interest thereon of €1,118 (2021: *nil*) are irrecoverable, hence are recognised as bad debts.

Prepayments during the year includes cost relating to revenues from management services, which will be generated in subsequent periods.

## 18. Other current asset

Other current asset represents assets connected with bonds issuance and trading, specifically cash and notes held on Parel Invest Securities liquidity account.

## 19. Inventories

	<b>2022</b>	2021
	€	€
Residence rooms equipment	595,304	507,211
Others	1,810	2,102
	<u>597,114</u>	<u>509,313</u>

Residence rooms equipment include duvets, linens, towels and apartments kitchen equipment. Other inventories include food and amenities.

## 20. Deferred taxation

	<b>2022</b>		2021	
	<b>Deferred tax assets</b>	<b>Deferred tax liabilities</b>	Deferred tax assets	Deferred tax liabilities
	€	€	€	€
At 1 January	-	5,124,030	173,976	3,332,005
Acquired through business combination	-	-	-	86,082
Movement for the year	-	2,735,282	(178,081)	1,506,268
Effect of foreign exchange	-	153,035	4,105	199,675
<b>At 31 December</b>	<u>-</u>	<u>8,012,347</u>	<u>-</u>	<u>5,124,030</u>

In accordance with the requirements of IAS 12 *Income Taxes*, the Group has recognised a deferred tax liability on the temporary difference arising from the change in fair value of its investment property as at 31 December 2022 and 2021. The deferred tax asset arises on tax losses incurred by the Group in the previous years was used in 2021 due to material unrealised profit relating to movement of CZK/EUR exchange rate. There was no deferred tax asset recognized as at 31 December 2022 and 2021.

## 21. Cash and cash equivalents

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

	<b>2022</b>	2021
	€	€
Cash at bank	<u>9,099,143</u>	<u>17,078,423</u>

Out of the cash at bank, the amount of EUR 2,081,641 (2021 EUR 2,091,135 ) is on an Interest Reserve Bank Account. Restriction on the interest reserve account will only apply upon the occurrence of a default event as defined in the Interest Reserve Account Pledge Agreement.

## 22. Trade and other payables

	<b>2022</b>	2021
	€	€
Trade payables	1,536,406	2,177,992
Accruals	1,044,555	1,036,070
Accruals for reconstruction cost	134,265	3,482,040
<b>Financial liabilities</b>	<u>2,715,226</u>	<u>6,696,102</u>
Statutory liabilities	103,545	52,182
Other payables	207,669	132,099
	<u>3,026,440</u>	<u>6,880,383</u>

## 23. Leases

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

	<b>2022</b>	2021
	€	€
Current	17,471	31,295
Non-current	-	18,671
	<u>17,471</u>	<u>49,966</u>

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

The lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. The lease is either non-cancellable or may only be cancelled by incurring a substantive termination fee. Upon termination, the right-of-use asset shall be returned to the lender in as good a condition as when received by the Group, except for reasonable wear and tear. The Group is prohibited from lending or transferring the underlying leased asset. The Group shall ensure that this asset is at all times kept in a good state of repair and return the properties to their original condition at the end of the lease. Further, the Group must insure and incur maintenance fees on such items in accordance with the lease contract.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised in the consolidated statement of financial position in the current and in the previous years:

Right-of-use asset	Office premises
<i>No. of right-of-use assets leased</i>	1
<i>Range of remaining term</i>	1.5
<i>Average remaining lease term</i>	1.5
<i>No. of leases with variable payments linked to an index</i>	1

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

*Minimum lease payments*

**As at 31 December 2022**

	<b>Not later than 1 year €</b>	<b>Later than 1 year but not later than 5 years €</b>	<b>Total €</b>
Lease payments	22,078	-	22,078
Finance charges	(4,607)	-	(4,607)
Net present values	<u>17,471</u>	<u>-</u>	<u>17,471</u>

**As at 31 December 2021**

	<b>Not later than 1 year €</b>	<b>Later than 1 year but not later than 5 years €</b>	<b>Total €</b>
Lease payments	35,764	22,351	58,115
Finance charges	(4,469)	(3,680)	(8,149)
Net present values	<u>31,295</u>	<u>18,671</u>	<u>49,966</u>

*Lease payments not recognised as a liability*

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed as incurred and included as part of general administrative expenses in the consolidated statement of comprehensive income.

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

## 24. Debt securities in issue

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

	<b>2022 €</b>	<b>2021 €</b>
Bonds denominated in euro	<u>29,520,573</u>	<u>29,204,166</u>



The subsidiary of the Group have bonds issued as follows:

*JML Finance (Luxembourg) S.a.r.l.*

Placement:	€29,900,000 (2021: €29,900,000)
Date of issue:	26 September 2019
Coupon rate	7% per annum
Maturity date:	26 September 2024

## 25. Bank borrowings

	2022	2021
	€	€
Non-current	38,591,600	34,553,168
Current	575,868	425,735
	<u>39,167,468</u>	<u>34,978,903</u>

In 2020, PPH Nove Mesto s.r.o., a subsidiary of the Group, entered into a loan agreement with J&T Banka, a.s., with registered address at Pobřežní 14, 186 00 Prague, Czech Republic. The loan is for reconstruction of the investment property into a residence in Prague and the credit line is €27,000,000.

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

In October 2021, an amendment and restatement agreement was concluded, by which the loan was increased by Facility B of €4,000,000 to total volume of €31,000,000. The interest rate is 3M EURIBOR (min. 0%) + margin of 7.5% per annum and Facility B should be repaid on September 28, 2028.

In November 2022, PPH Nove Mesto s.r.o. entered into loan agreement with Trinity Bank, a.s. the loan was to repay J&T Bank, a.s. loan and the credit line is €35,250,000. The interest rate is 3M EURIBOR (min. 0%) + margin (2.65 % per annum).

The loan from Trinity bank, a.s. is secured by a mortgage, granted by PPH Nove Mesto s.r.o. over the investment property in Prague, Czech Republic (see note 16) including negative pledge, pledge and subordination of shareholder loan to borrower, pledge of insurance receivables from asset's insurance, pledge of all Julius Meinl Living Holdings Limited shares (PPH Nove Mesto s.r.o.'s immediate parent company), including negative pledge, pledge of all borrower's bank accounts, borrower's promissory note, notarial deed with direct enforceability and cost over-run guarantee of Julius Meinl Living plc.

In 2021, JM Hospitality Hungary Kft entered into loan agreement with Takarékbank Zrt. with registered seat 1117 Budapest, Magyar tudósok körútja 9. G. ép. The loan is for refinancing the loan from former parent company. Credit line is € 3,925,000 and interest rate is 1M EURIBOR (min. 0%) + margin (3.5% per annum). Repayment will start on March 31, 2023, in equal installments of € 32,708. The loan is secured by the mortgage over the Project property, pledge over quota, pledge over movable, pledge over claims and receivables, Borrower's promissory note, notarial deed with direct enforceability and cost overrun guarantee of the Julius Meinl Living plc.

## 26. Other financial liabilities

	<b>2022</b>	2021
	€	€
Retention payable	2,303,050	2,468,202
	<u>2,303,050</u>	<u>2,468,202</u>

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

## 27. Share capital

	<b>Authorised</b>	<b>Issued and called up</b>
	€	€
Ordinary A shares of €1 each	1,000,000	11,651
Ordinary B shares of €1 each	150,000,000	1,000,000
Cumulative preference shares	15,000	-
	<u>151,015,000</u>	<u>1,011,651</u>

The Company was incorporated on 9 August 2016 with an authorised share capital of €151,015,000 made up of 1,000,000 ordinary A shares and 150,000,000 ordinary B shares, all having a nominal value of €1 each and 150,000,000 cumulative preference shares with a nominal value of € 0.0001 each.

Upon incorporation, the Company issued share capital amounting to €11,650 comprising 46,600 ordinary A shares having a nominal value of € 1 each, being 25% paid up.

On 6 December 2016, the Company issued further share capital amounting to € 1,000,000 comprising 1,000,000 ordinary B shares having a nominal value of € 1 each, being 100% paid up. In addition, it issued one preference share with a nominal value of € 0.0001.

On 29 January 2018, the one preference share was re-designated as 1 Ordinary A share 100% paid up.

Except for the appointment and removal of board members and issue of preference shares in general meeting which grant the Ordinary A shareholders 1,000,000 votes for each A share in general meeting, each share in the company gives the holder thereof the right to one (1) vote at any general meeting of the company.

## 28. Share premium

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

## 29. Subsidiaries

The results incorporated in the consolidated financial statements include the individual results of Julius Meinl Living plc and its subsidiaries as disclosed below:

Subsidiaries	Principal activities	Date of incorporation/ acquisition	Country of incorporation	Proportion of ownership interest	
				2022	2021
<i>Held by Julius Meinl Living plc</i>					
Julius Meinl Living Holdings Limited	Investment holding	9 August 2016	Malta	100%	100%
JML Finance (Luxembourg) S.a.r.l.	Bond issuance and finance company	13 March 2019	Luxembourg	100%	100%
<i>Held by Julius Meinl Living Holdings Limited</i>					
Julius Meinl Living CZ s.r.o.	Property management	25 August 2016	Czech Republic	100%	100%
PPH Nove Mesto s.r.o.	Asset company	19 June 2018	Czech Republic	100%	100%
Julius Meinl Prime Homes s.r.o.	Property management	1 November 2018	Czech Republic	100%	100%
Julius Meinl Living Belgrade doo	Property management	31 October 2019	Serbia	100%	100%
JM Hospitality Hungary Kft	Investment property	2 August 2021	Hungary	100%	100%
JM Innovative Living Management sro	Property management	16 November 2022	Czech Republic	100%	-

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

On 25 August 2016, the Group, through its subsidiary, Julius Meinl Living Holdings Limited, set up Julius Meinl Living CZ s.r.o., a property management company incorporated in the Czech Republic and 100% owned by Julius Meinl Living Holdings Limited.

On 19 June 2018, the Group, through its subsidiary, Julius Meinl Living Holdings Limited, acquired 75% of the share capital of PPH Nove Mesto s.r.o., an asset company incorporated in the Czech Republic. The Group acquired a further 13.33% and 11.67% of the share capital of PPH Nove Mesto s.r.o., in 2019 and 2020, respectively, bringing its total holding to 100%.

On 1 November 2018, the Group, through its subsidiary, Julius Meinl Living Holdings Limited, acquired 100% of the share capital of Julius Meinl Prime Homes s.r.o., a property management company incorporated in the Czech Republic.

On 13 March 2019, the Company acquired 100% of the share capital of JML Finance (Luxembourg), an asset company incorporated in the Grand Duchy of Luxembourg.

On 31 October 2019, the Group, through its subsidiary, Julius Meinl Living Holdings Limited, acquired 100% of the share capital of Julius Meinl Living doo Beograd, an asset company incorporated in Serbia.

On 2 August 2021, the Group, through its subsidiary, Julius Meinl Living Holdings Limited acquired the entire share capital in JM Hospitality Hungary Kft.

On 16 November 2022, the Group, through its subsidiary, Julius Meinl Living Holdings Limited acquired the entire share capital in JM Innovative Living Management sro, in order to expand its business activities.

### 30. Related party disclosures

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

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

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

Loans and amounts due from and to related parties are disclosed in notes 17 and 22, while key management personnel compensation is disclosed in note 9.

### 31. Non-cash adjustments and changes in working capital

The following non-cash flow adjustments and adjustments for changes in working capital have been made to the consolidated profit before tax to arrive at operating cash flows:

	<b>2022</b>	2021
	€	€
<b>Non-cash adjustments:</b>		
Fair value gain on investment properties	(14,876,252)	(12,716,215)
Loss on write-off of investment property	-	2,524,551
Impairment of goodwill	-	158,841
Depreciation	90,802	345,179
Net foreign exchange adjustments	(1,481,298)	(1,968,558)
Interest expense on debt securities issued	2,628,471	2,379,138
Interest expense on leases	2,782	4,333
Interest expense on borrowings	1,482,566	25,631
Finance income	(1,886)	(42,250)
	<u>(12,154,815)</u>	<u>(9,289,350)</u>

	<b>2022</b>	2021
	€	€
<b>Changes in working capital:</b>		
Loans and receivables	283,051	(442,051)
Other current asset	(44,298)	(423,646)
Inventories	(87,801)	(507,700)
Trade and other payables	(4,171,236)	3,938,370
	<u>(4,020,284)</u>	<u>2,564,973</u>

### 32. Capital commitments

In 2022, the Group finalized the reconstruction of a building in Prague, Czech Republic into serviced residential and commercial property. The cost for reconstruction and equipment were paid with the remaining balance of €2,303,050 being recorded as long- term liability as retention to the contractors.

In 2019, a forward purchase agreement was signed for the acquisition of a project in Belgrade, Serbia with the full purchase agreement concluded in 2020 and the liability from this agreement was reported as part of other financial liabilities. In December 2021, a mutual agreement was signed with the developer of the Belgrade project to terminate the purchase agreement without further consideration due to or from either side. As a result, there are no further material capital commitments required towards the project in Belgrade, Serbia.

### 33. Fair values of non-financial assets

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

The fair value hierarchy has the following levels:

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

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

The following table shows the levels within the hierarchy of non-financial assets of the Group measured at fair value at 31 December 2022 and 2021:

	Level 1	Level 2	Level 3	Total
	€	€	€	€
<b>31 December 2022</b>				
Investment properties	-	112,500,132	-	112,500,132
<b>31 December 2021</b>				
Investment properties	-	93,998,761	-	93,998,761

Refer to note 16 for details of the valuation techniques used in measuring the fair value.

### 34. Financial instrument risk management objectives and policies

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

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

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

#### *Credit risk*

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

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

	Notes	2022 €	2021 €
Classes of financial assets – carrying amounts			
<b>Non-current asset</b>			
Financial asset at amortised costs:			
- Loans and receivables	17	45,985	299,798
<b>Current assets</b>			
Financial assets at amortised costs:			
- Loans and receivables	17	938,015	109,124
- Cash and cash equivalents	21	9,099,143	17,078,423
		<u>10,083,143</u>	<u>17,487,345</u>

Credit risk arises from cash and cash equivalents and credit exposures to borrowers. Cash and cash equivalents consist of cash held at financial institutions. In determining the ECL for cash and cash equivalents, the directors have considered the fact that cash and cash equivalents are held by foreign financial institutions and are callable on demand. The directors consider the probability of default to be close to zero as the counterparty has a strong capacity to meet its contractual obligations in the near term.

As a result, no loss allowance has been recognised based on 12-month ECL as any such impairment would be wholly insignificant to the Group.

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

#### *Foreign currency risk*

The group operates internationally and is exposed to foreign exchange risk; primarily the Czech koruna (CZK) and from 2021 Hungarian forints (HUF). Historically, the CZK and HUF have been relatively stable with very limited fluctuations against the Euro (EUR). Hence, the currency risks associated with the Czech and Hungarian operations are limited. Nevertheless, management performs regular monitoring of the relevant exchange rates and of the National Bank of Czech Republic and the National Bank of Hungary policies, in order to react to material movements, if any.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into EUR at the closing rate as of 31 December of the respective financial year:

<b>Exposure</b>	<b>Short-term</b>	<b>Long-term</b>	<b>Total</b>
<b>Currency</b>	<b>CZK</b>	<b>CZK</b>	<b>CZK</b>
<b>31 December 2022</b>			
Cash and cash equivalents	504,132	-	504,132
Other financial assets	317,222	-	317,222
Financial liabilities	(2,521,716)	(2,303,050)	(4,824,766)
<b>Net Exposure</b>	<b>(1,700,362)</b>	<b>(2,303,050)</b>	<b>(4,003,412)</b>

<b>Exposure</b>	<b>Short-term</b>	<b>Long-term</b>	<b>Total</b>
<b>Currency</b>	<b>CZK</b>	<b>CZK</b>	<b>CZK</b>
<b>31 December 2021</b>			
Cash and cash equivalents	1,343,618	-	1,343,618
Other financial assets	102,329	60,982	163,311
Financial liabilities	(5,791,829)	(2,486,673)	(8,278,502)
<b>Net Exposure</b>	<b>(4,345,882)</b>	<b>(2,425,691)</b>	<b>(6,771,573)</b>

<b>Exposure</b>	<b>Short-term</b>	<b>Long-term</b>	<b>Total</b>
<b>Currency</b>	<b>HUF</b>	<b>HUF</b>	<b>HUF</b>
<b>31 December 2022</b>			
Cash and cash equivalents	46,023	-	46,023
Other financial assets	46,923	-	46,923
Financial liabilities	(161,497)	-	(161,497)
<b>Net Exposure</b>	<b>(68,551)</b>	<b>-</b>	<b>(68,551)</b>

<b>Exposure</b>	<b>Short-term</b>	<b>Long-term</b>	<b>Total</b>
<b>Currency</b>	<b>HUF</b>	<b>HUF</b>	<b>HUF</b>
<b>31 December 2021</b>			
Cash and cash equivalents	141,961	-	141,961
Other financial assets	9,264	-	9,264
Financial liabilities	(132,641)	-	(132,641)
<b>Net Exposure</b>	<b>18,584</b>	<b>-</b>	<b>18,584</b>

Volatility is a measure of the fluctuations in the underlying exchange rate over a given time period. It is expressed as a percentage and computed as the annualized standard deviation of percentage change in daily price. High values mean high risk. Volatility for the CZK/EUR currency pair between 1 January and 31 December for the years 2021 and 2022 was approximately 3.88%, and 5.8% respectively. The minimum / maximum exchange rates for CZK/EUR currency pair between 1 January and 31 December was approximately 24.86 / 26.42 and 24.12 / 25.87 for the respective years 2021 and 2022 representing a difference between the highest and lowest exchange rates of approximately 6.3% and 7.3% during the respective years 2021 and 2022.

Volatility for the HUF/EUR currency pair between 1 January and 31 December for the years 2021 and 2022 was approximately 6.2%, and 13.2% respectively. The minimum / maximum exchange rates for HUF/EUR currency pair between 1 January and 31 December was approximately 345.82 / 370.91 and 352.92 / 430.65 for the respective years 2021 and 2022 representing a difference between the highest and lowest exchange rates of approximately 7.3% and 22.0% during the respective years 2021 and 2022.

By comparison the USD/EUR currency pair volatility over the same periods was 5.59% and 10.1% and the difference between the highest and lowest exchange rates was approximately 10.1% and 19.9% during the respective years 2021 and 2022.

Management observed heightened CZK/EUR and HUF/EUR volatility during 2022 compared to the prior year that is largely explained by the general global uncertainty resulting from inflationary pressures, energy shocks and the conflict in Ukraine. Management continues to monitor the CZK/EUR and HUF/EUR pairs closely.

The following tables illustrates the sensitivity of profit and equity relating to the Group's financial assets and financial liabilities and the CZK/EUR respective HUF/EUR exchange rate 'all other things being equal'. It assumes a +/- 10% change of the CZK/EUR respective HUF/EUR exchange rate for the year ended at 31 December 2022 (2021: +/-10%). These percentages have been determined based on the management's interpretation of the volatility in exchange rates in the previous twelve months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date. The Group does not currently enter into account forward exchange contracts that would offset effects from changes in currency exchange rates.

If the CZK had strengthened against the EUR by 10% (2021: 10%), then this would have had the following impact:

<b>CZK strengthens vs. EUR</b>	<b>Profit for the year</b>	<b>Equity</b>
	<b>CZK</b>	<b>CZK</b>
<b>31 December 2022</b>	<b>294,797</b>	<b>-</b>
31 December 2021	498,634	-



If the CZK had weakened against the EUR by 10% (2021: 10%), then this would have had the following impact:

<b>CZK weakens vs. EUR</b>	<b>Profit for the year</b>	<b>Equity</b>
	<b>CZK</b>	<b>CZK</b>
<b>31 December 2022</b>	<b>(360,307)</b>	-
31 December 2021	(609,442)	-

If the HUF had strengthened against the EUR by 10% (2021: 10%), then this would have had the following impact:

<b>HUF strengthens vs. EUR</b>	<b>Profit for the year</b>	<b>Equity</b>
	<b>HUF</b>	<b>HUF</b>
<b>31 December 2022</b>	<b>(6,170)</b>	-
31 December 2021	1,673	-

If the HUF had weakened against the EUR by 10% (2021: 10%), then this would have had the following impact:

<b>HUF weakens vs. EUR</b>	<b>Profit for the year</b>	<b>Equity</b>
	<b>HUF</b>	<b>HUF</b>
<b>31 December 2022</b>	<b>5,048</b>	-
31 December 2021	(1,368)	-

The higher foreign currency exchange rate sensitivity in profit in 2022 compared with 2021 is attributable to a wider band variance and a net increase in foreign currency denominated debt. Equity is not affected because the Group does not employ hedging instruments or derivatives.

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

#### *Interest rate risk*

The Group has fixed rate debt securities and variable rate bank borrowings to finance its operations as disclosed in notes 24 and 25. The interest rates thereon and the terms of such borrowings are disclosed accordingly. There are no other material interest-bearing financial assets and financial liabilities.

#### *Liquidity risk*

The Group monitors and manages its risk to a shortage of funds by considering the maturity of both its financial assets and financial liabilities and by monitoring the availability of raising funds to meet commitments associated with financial instruments.

The maturity analysis of the Group's financial liabilities as at 31 December 2022 and 2021 are given below. These amounts are gross, undiscounted and include estimated interest payments.

	<b>3 months</b>	<b>1-5</b>	
	<b>- 1 year</b>	<b>years</b>	<b>Total</b>
	<b>€</b>	<b>€</b>	<b>€</b>
<b>31 December 2022</b>			
Debt securities in issue	-	29,520,573	29,520,573
Bank borrowings	575,868	38,591,600	39,167,468
Trade and other payables	2,715,226	-	2,715,226
Lease liabilities	17,471	-	17,471
Other financial liabilities	-	2,303,050	2,303,050
	<u>3,308,565</u>	<u>70,415,223</u>	<u>73,723,788</u>
<b>31 December 2021</b>			
Debt securities in issue	-	29,204,166	29,204,166
Bank borrowings	425,735	34,553,168	34,978,903
Trade and other payables	6,696,102	-	6,696,102
Lease liabilities	31,295	18,671	49,966
Other financial liabilities	-	2,468,202	2,468,202
	<u>7,153,132</u>	<u>66,244,207</u>	<u>73,397,339</u>

#### Summary of financial instruments by category

The carrying amounts of the Group's financial assets and financial liabilities as recognised at the end of the reporting period under review may also be categorised as follows. See note 4.8 for explanations about how the category of financial instruments affects their subsequent measurement.

	<b>Notes</b>	<b>2022</b>	<b>2021</b>
		<b>€</b>	<b>€</b>
<b>Non-current asset</b>			
<i>Financial assets at amortised cost:</i>			
Loans and receivables	17	45,985	299,798
<b>Current assets</b>			
<i>Financial assets at amortised cost:</i>			
Loans and receivables	17	368,831	109,124
Cash and cash equivalents	21	9,099,143	17,078,423
		<u>9,513,959</u>	<u>17,487,345</u>

	Notes	2022 €	2021 €
<b>Non-current liabilities</b>			
<i>Financial liabilities at amortised cost:</i>			
Debt securities in issue	24	29,520,573	29,204,166
Lease liabilities	23	-	18,671
Other financial liabilities	26	2,303,050	2,468,202
Bank borrowings	25	38,591,600	34,553,168
		<u>70,415,223</u>	<u>66,244,207</u>
<b>Current liabilities</b>			
<i>Financial liabilities at amortised cost:</i>			
Bank borrowings	25	575,868	425,735
Trade and other payables	22	2,922,895	6,828,201
Lease liabilities	23	17,471	31,295
		<u>3,516,234</u>	<u>7,285,231</u>
		<u>73,931,457</u>	<u>73,529,438</u>

### 35. Capital management policies and procedures

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and to maximise the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of items presented within equity in the consolidated statement of financial position.

The Group's directors and key management manage the Group's capital structure and make adjustment thereto, in the light of changes in economic conditions. The capital structure is reviewed on an ongoing basis.

### 36. Contingent assets

In connection with the reconstruction of the Group's investment property carried out by the construction companies Metrostav, a.s. and BAK stavební společnost, a.s. ("Contractor"), the Group, through one of its subsidiaries, was entitled, under the construction contract, to apply a contractual penalty for the delays in the completion of works and to offset such penalty directly against any outstanding payables to the Contractor.

The total penalty amounted to €2.23 million (53.7 million CZK), of which €420,880 (10.15 million CZK) had been offset in previous accounting periods and an amount of €1.81 million (43.55 million CZK) was offset in the current financial year following the final handover of the works.

In January 2023, the subsidiary was served with a claim by the Contractor, filed with the court in Prague, in which the Contractor disputed the application and the offsetting of the penalty. Based on the review and the opinion by its legal advisor, the Group is of the view that the Contractor's claim, that it has no responsibility for the delays, has no merit. Nonetheless, the penalty of €1.81 million (43.55 million CZK) is not recognized as an asset as of 31 December 2022, given that receipt of the amount is dependent upon the outcome of the litigation.

### **37. Events after the end of the reporting period**

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

## Independent auditor's report

To the shareholders of Julius Meinl Living plc

### Report on the audit of the consolidated financial statements

#### Opinion

We have audited the consolidated financial statements of Julius Meinl Living plc (the "Group") set out on pages 7 to 44 which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Companies Act, Cap 386 (the "Act").

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap 281 that are relevant to our audit of the consolidated financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other information

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

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

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

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

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

- the information given in the directors' report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements, and
- the directors' report has been prepared in accordance with the Act

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors'

report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

#### **Responsibilities of those charged with governance for the consolidated financial statements**

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Act, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

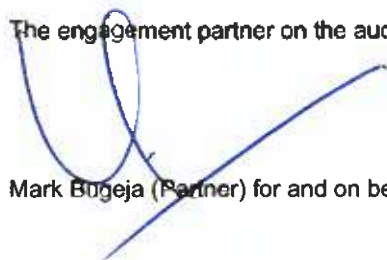
**Report on other legal and regulatory requirements**

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

- adequate accounting records have not been kept;
- the consolidated financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report to you in respect of these responsibilities.

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



Mark Bugeja (Partner) for and on behalf of

**GRANT THORNTON**

Certified Public Accountants

Fort Business Centre  
Triq L-Intornjatur, Zone 1  
Central Business District  
Birkirkara CBD 1050  
Malta

6 April 2023