FIDUROCK Nemovitosti a.s.

Consolidated Financial Statements
for the period
from 1 January 2018 to 30 June 2018

FIDUROCK Nemovitosti a.s.
Nekázanka 883/8
Nové Město
110 00 Praha 1

FIDUROCK Nemovitosti a.s.

Consolidated Statement of Financial Position as at 30 June 2018

(all figures presented in CZK)

	Notes	30.06.2018	31.12.2017	30.06.2017
Non-current assets		**1 006 765 840**	**648 205 200**	**664 829 100**
Investment properties	3.1	1 006 765 840	648 205 200	664 829 100
Deferred tax assets	3.10	-	-	-
Current assets		**62 885 680**	**37 783 437**	**34 318 765**
Trade and other receivables	3.2	28 717 576	10 518 991	6 335 858
Prepayments and other assets	3.3	4 408 885	592 348	394 273
Cash and cash equivalents	3.4	29 759 219	26 672 098	27 588 634
TOTAL ASSETS		**1 069 651 520**	**685 988 637**	**699 147 865**
Equity		**313 242 858**	**208 868 878**	**219 459 401**
Share capital	3.5	2 040 000	2 040 000	2 040 000
Capital reserves	3.5	115 355 317	32 319 526	25 619 526
Cash flow hedge reserve	3.5	9 491 355	13 905 295	7 750 724
Retained earnings		186 356 185	160 604 057	184 049 151
Equity attributable to equity holders of the parent		**313 242 858**	**208 868 878**	**219 459 401**
Non-current liabilities		**563 293 154**	**317 264 559**	**355 767 400**
Loans and borrowings	3.6	496 251 113	278 121 085	314 098 019
Deferred tax liabilities	3.10	58 054 416	35 287 873	36 796 730
Deferred income	3.7	2 705 669	1 982 962	2 649 628
Other non-current liabilities	3.8	6 281 957	1 872 639	2 223 023
Current liabilities		**193 115 508**	**159 855 200**	**123 921 064**
Loans and borrowings	3.6	178 541 366	154 088 603	118 781 782
Trade, other payables and accruals	3.9	14 574 142	4 433 264	3 805 949
Deferred income	3.7		1 333 333	1 333 333
TOTAL EQUITY AND LIABILITIES		**1 069 651 520**	**685 988 637**	**699 147 865**

The accompanying notes are an integral part of the consolidated financial statements.

FIDUROCK Nemovitosti a.s.
Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2018

(all figures presented in CZK)

	Notes	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017
Rental income	4.1	31 742 281	25 023 344
Net service charge expenses	4.2	(6 408 114)	(1 363 681)
Asset management fees	4.3	(2 083 641)	(2 814 422)
Other operating income	4.4	419 623	5 500 556
Net Operating Income		**23 670 149**	**26 345 797**
Other corporate expenses	4.5	(2 034 863)	(277 241)
Net unrealised gain on revaluation of investment properties	3.1	39 981 248	31 601 427
Operating profit		**61 616 534**	**57 669 983**
Finance income	4.6	2 005 917	(232 893)
Finance costs	4.7	(13 715 258)	(10 169 648)
Profit before income tax		**49 907 193**	**47 267 442**
Taxation expense	3.10	(24 155 065)	(8 809 664)
Net profit for the period		**25 752 128**	**38 457 778**
Items that may or are reclassified subsequently to profit or loss			
Effective portion of changes in fair value of cash flow hedges		11 717 605	9 568 678
Related tax		(2 226 250)	(1 817 954)
Other comprehensive income for the period, net of tax		**9 491 355**	**7 750 724**
Total comprehensive income for the period		**35 243 483**	**46 208 502**
Attributable to:			
Profit for the period			
Equity holders of the parent		25 752 128	38 457 778
Other comprehensive income			
Equity holders of the parent		9 491 355	7 750 724

FIDUROCK Nemovitosti a.s.

Consolidated Statement of Changes in Equity for the year ended 30 June 2018

(all figures presented in CZK)

	Share capital	Retained earnings attributable to holders of the parent	Capital Reserves	Cash flow hedge reserve	TOTAL attributable to holders of the parent	Non-controlling interests (NCI)	Total equity
Balance as at 01.01.2017	**2 040 000**	**132 236 293**	**41 038 526**	-	**175 314 819**	-	**175 314 819**
Changes in ownership interests							
Total comprehensive income	-	**36 393 858**	-	**7 750 724**	**44 144 582**		**44 144 582**
Net profit for the period		38 457 778	0		38 457 778		38 457 778
Other comprehensive income, net of tax	0			7 750 724	7 750 724		7 750 724
Re-allocation based		-2 063 920			-2 063 920		-2 063 920
Contributions and distributions in the period		**15 419 000**	**(15 419 000)**		-		-
Redemption of capital contributions		0			0	0	0
Increase of capital funds		15 419 000	(15 419 000)		0		0
Balance as at 30.6.2017	**2 040 000**	**184 049 151**	**25 619 526**	**7 750 724**	**219 459 401**	-	**219 459 401**
Balance as at 01.07.2017	**2 040 000**	**184 049 151**	**25 619 526**	**7 750 724**	**219 459 401**	-	**219 459 401**
Changes in ownership interests							
Total comprehensive income	-	**(23 445 094)**	-	**6 154 571**	**(17 290 523)**		**(17 290 523)**
Net profit for the period		-23 445 094	0		-23 445 094		-23 445 094
Other comprehensive income, net of tax	0			6 154 571	13 905 295		13 905 295
Contributions and distributions in the period			**6 700 000**		**6 700 000**		**6 700 000**
Redemption of capital contributions		0			0	0	0
Increase of capital funds			6 700 000		6 700 000		6 700 000
Balance as at 31.12.2017	**2 040 000**	**160 604 057**	**32 319 526**	**13 905 295**	**208 868 878**	-	**208 868 878**
Balance as at 01.01.2018	**2 040 000**	**160 604 057**	**32 319 526**	**13 905 295**	**208 868 878**	-	**208 868 878**
Changes in ownership interests	-				-		-
Total comprehensive income	-	**25 752 128**	-	**(4 413 940)**	**21 338 188**	-	**21 338 188**
Net profit for the period		25 752 128	-	(4 413 940)	21 338 188		21 338 188
Other comprehensive income, net of tax	-				-		-
Contributions and distributions in the period		-	**83 035 791**		**83 035 791**	-	**83 035 791**
Redemption of capital contributions		-	83 035 791		83 035 791	-	83 035 791
Balance as at 30.06.2018	**2 040 000**	**186 356 185**	**115 355 317**	**9 491 355**	**313 242 858**	-	**313 242 858**

The accompanying notes are an integral part of the consolidated financial statements.

FIDUROCK Nemovitosti a.s.

Consolidated Statement of Cash Flows for the year ended 30 June 2018

(all figures presented in CZK)

		01.01.2018 - 30.06.2018	01.01.2017 - 30.6.2017	01.01.2017 - 31.12.2017
Cash flows from operating activities				
Net profit for the year		**25 752 128**	**38 457 778**	**30 535 415**
Taxation expense	3.14	(24 155 065)	(8 809 664)	(7 157 142)
Profit before income tax		**49 907 193**	**47 267 442**	**37 692 557**
Adjustments to reconcile profit before tax to cash flows		(28 271 907)	(21 198 886)	11 582 478
Unrealized gain on revaluation of investment properties	3.1	(39 981 248)	(31 601 427)	(10 241 086)
Finance costs, net		11 709 341	10 402 541	21 823 564
Working capital adjustments		(9 464 075)	(4 433 835)	(10 753 355)
Decrease/(increase) in trade and other receivables		(18 198 585)	590 687	(5 141 022)
Decrease/(increase) in prepayments and other assets		(3 816 537)	85 211	(112 864)
(Decrease)/increase in other non-current liabilities		5 132 024	(111 886)	204 397
(Decrease)/increase in trade and other payables		8 752 356	(4 997 848)	(4 353 491)
(Decrease)/increase in deferred income		(1 333 333)		(1 350 375)
Tax paid				
Net cash inflow from operating activities		**12 171 212**	**21 634 721**	**38 521 680**
Cash flows from investing activities				
Acquisition of subsidiary, net of cash acquired		(70 790 665)		-
Capital expenditure on investment property		(247 788 728)		(11 640 514)
Interest received		2 005 917		55
Net cash outflow from investing activities		**(316 573 475)**		**(11 640 459)**
Cash flows from financing activities				
Capital contributions paid in		83 035 791		-
Redemption of capital contributions		(4 413 940)	(15 419 000)	(8 719 000)
Proceeds from loans and borrowings	3.6	277 283 021		9 048 000
Repayment of loans and borrowings	3.6	(48 650 018)	(5 621 175)	(17 230 338)
Interest paid	3.6			(8 408 016)
Net cash inflow/(outflow) from financing activities		**307 254 854**	**(21 040 175)**	**(25 309 354)**
Net inrease/(decrease) in cash and cash equivalents		**2 852 590**	**594 546**	**1 571 867**
Cash and cash equivalents at the beginning of the year		26 672 099	26 156 877	26 156 877
Effect of movements in exchange rates on cash held		234 529	837 211	(1 056 644)
Cash and cash equivalents at the end of the year		**29 759 219**	**27 588 634**	**26 672 099**

1. General information on the Company and the Group

1. 1 Company's name

FIDUROCK Nemovitosti a.s. (hereinafter also the „Company") is a joint-stock company incorporated under the laws of the Czech Republic. The Company was established on 14 November 2015.

The Company together with its subsidiaries is referred to as the "Group".

1. 2 Registered office

Nekázanka 883/8
Nové Město
110 00 Praha 1

1. 3 Commercial registration

Municipal Court in Prague
Registration number: B 21110

1. 4 Shareholder of the Company as at 31 December 2017

FIDUROCK Private Equity Participations B.V. 1077XX Amsterdam, Strawinskylaan 937 Netherlands	100%

1. 5 Management of the Company as at 31 December 2017

Member of the Board of Directors
David Hauerland, since 14 November 2015

Member of the Supervisory Board
Laurens Gerard Rinkes, since 14 November 2015

1. 6 Group's objective

The investment objective of the Group is to make value-added and opportunistic investments in real estate assets and investments located in Central and Eastern Europe (the Geographic Focus) (including, but not limited to, the territories of the Czech Republic and Slovakia).

1. 7 Primary business activities

The Group may carry out, in the Czech Republic or abroad all transactions pertaining directly or indirectly to the acquisitions and the holding of real estate properties and the acquisitions and holding of participating interests in enterprises (in whatever form) which may, pursuant to their constitutional documents, acquire and hold real property and other assets necessary for the management of such real property, as well as the administration, management, control, development and disposal of such real estate properties and interests in real estate companies and real estate holding companies.

The Group may also use its funds for the organisation, management, development and disposal of a portfolio consisting of any securities and intellectual property rights of whatever origin and participate in the creation, the development and the control of any enterprise consistent with the Investment objective. It may also acquire by way of contribution, subscription, underwriting or by option to purchase and by any other means, any type of securities and intellectual property rights for development, and realise such assets by way of sale, transfer, exchange or otherwise.

The Group and its shareholder may grant assistance (by way of loans, advances, guarantees or securities or otherwise) to companies or other enterprises in which the Group has an interest.

1. 8 Period covered by the financial statements

The consolidated financial statements were prepared for the period from 1 January 2018 to 30 June 2018.

1. 9 Going concern assumption

The consolidated financial statements have been prepared under the going concern basis of accounting as the Partners expect the Group will be able to meet its liabilities as they fall due for the foreseeable future. There is no evidence indicating that the Partnership will not be able to continue its activities as a going concern during at least the next 12 months.

2. Summary of significant accounting policies

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

2. 1 Basis for preparation

The consolidated financial statements are not statutory financial statements and are not intended for statutory filing purposes. The Company and all its subsidiaries has prepared statutory accounts as at 31.12.2017 under Czech GAAP which was filed during 2018.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Preparation of the consolidated financial statements

The consolidated financial statements have been prepared under the historical cost convention with the exception of investment properties which are measured at fair value.

The consolidated financial statements are adjusted to reflect events that occur after the end of the reporting period, but before the consolidated financial statements are authorized for issue, if either they provide evidence of conditions that existed at the end of the reporting period (adjusting events) or they indicate that the going concern basis of preparation is inappropriate. The consolidated financial statements are not adjusted for non-adjusting events. Non-adjusting events are events that result from conditions arising after the end of the reporting period.

Use of estimates and judgements

The preparation of the consolidated financial statements, in conformity with IFRS, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue, expenses and unrealised gains or losses during the reporting period. Actual results could differ from these estimates. The information about judgements made in applying the accounting policies that have the most significant effects in the amounts recognised in the consolidated financial statements is included in the following Notes:

3.1 – Investment properties

Assumptions and estimations of uncertainty

(i) Measurement of fair values

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

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

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

- Note 3.1 – investment properties, and
- Note 5 – determination of fair values

(ii) Estimation uncertainty

Except for the fair value of investment properties, there is no other key assumption considering the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(iii) New Accounting Standards not yet effective and have not been early adopted

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Annual improvements to IAS 28	Investments in Associates and Joint Ventures (2011)**
IFRIC 22	Foreign currency Transactions and Advance Consideration*
IFRS 16	Leases**
IFRIC 23	Uncertainty over Income Tax Treatments**
Annual Improvements to IFRS 3	Business Combinations**
Annual Improvements to IFRS 11	Joint Arrangements**

** Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted

(iv) IFRS 9, Financial Instruments

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

v) IFRS 15, Revenue from Contracts with Customers

IFRS 15, 'Revenue from contracts with customers' provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled.

Depending on whether certain criteria are met, revenue is recognised:
- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The clarifications to IFRS 15 clarify some of the standard's requirements and provide additional transitional relief for companies that are implementing the new standard. The Group will adopt the standard in the annual period beginning 1 January 2018 and will use the cumulative effect method. Under this method the Group will record the cumulative effect of initially applying the new standard, if any, as an adjustment to the opening balance of equity at the date of initial application. The comparative period amounts will not be restated and will continue to be reported under the accounting standards in effect for that period.

vi) IAS 40, Investment Property

The amendments provide clarification on transfers to, or from, investment properties.

vii) IFRS 2, Share-based Payment

The amendments clarify how to account for certain types of share-based payment transactions.

viii) IFRS 1, First-time Adoption of International Financial Reporting Standards

The annual improvements delete short-term exemptions for first-time adopters.

ix) IAS 28, Investments in Associates and Joint Ventures

The annual improvements clarify that election of exemption from applying the equity method shall be made separately for each associate or joint venture, and to clarify the date of such an election.

x) IFRIC 22, Foreign currency Transactions and Advance Consideration

IFRIC provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance and clarifies that the transaction date is the date on which the company initially recognizes the prepayment or deferred income arising from the advance consideration.

xi) IFRS 16, Leases

IFRS 16, 'Leases' effective for reporting periods beginning on or after 1 January 2019 will replace the actual IAS 17 'Leases'. Under IFRS 16, companies will recognise new assets and liabilities, bringing added transparency to the balance sheet. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. There will be a single, on-balance model for both finance and operating leases.

xii) IFRIC 23, Uncertainty over Income Tax Treatments

IFRIC clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency.

xiii) IFRS 3, Business Combinations

The main changes were to clarify that the entity remeasures its previously held interest in a joint operation when it obtains control of the business in accordance with IFRS 3.

xiv) IFRS 11, Joint Arrangements

The main changes were to clarify that the entity does not remeasure its previously held interest in a joint operation when it obtains joint control of the joint operation in accordance with IFRS 11.

The Group is in the process of analyzing the likely impact of these standards. However, the management does not expect that the impact of the application of the changed standards or improvements will have material impact on amounts reported in the Group's Consolidated Financial Statements.

2. 2 *Basis for consolidation*

(i) Business combination

The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made of the extent to which significant processes are acquired and, in particular, the extent of services provided by the subsidiary (e.g., maintenance, cleaning, security, bookkeeping, etc.).

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Consolidation

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary and other components of equity. Any retained interest in the former subsidiary is re-measured to its fair value at the date when control is lost. Any resulting gain or loss is recognized in the profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that subsidiary are reclassified to profit or loss.

Non-controlling interests, if any, are recognized in equity with the proportionate share in the recognized amounts as well as the proportionate share in the profit or loss realized of the entities in which the interests are held if the interests qualify as equity as per IAS 32.16.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration includes also the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On and acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquirer's net assets.

Transactions that are not in scope of IFRS 3 Business combinations due to the fact that the acquired company does not constitute of the business in accordance with the IFRS are accounted for as assets acquisition.

The Group's consolidated subsidiaries, together with information related to the ownership interest, are presented below:

Company	Ownership	Effective ownership as at 30 June 2018	Country of formation
FIDUROCK Nemovitosti a.s.			Czech Republic
Retai Park Tábor s.r.o.	Direct	100,0%	Czech Republic
Retail Park Severka Liberec s.r.o.	Direct	100,0%	Czech Republic
Retail Park Senica s.r.o.	Direct	100,0%	Slovak Republic
Slovak Investment Group s.r.o.	Direct	100,0%	Slovak Republic

No entity was disposed/liquidated in 2018 or 2017.

2. 3 *Foreign currency translation*

Functional currency

Based on the factors described in IAS 21, the effects of changes in foreign exchange rates and based on analysis of the primary economic environment in which the Group operates, the functional currency of the underlying Czech Republic subsidiaries has been determined to be the Czech Crown ("CZK"), since whilst some of their transactions are denominated in the euro, it is in fact the local markets and competitive forces which determine the magnitude of these transactions.

The functional currency of the Company has been assessed as being Czech Crown ("CZK").

Presentation currency

These consolidated financial statements are presented in CZK which is the Group's presentation currency.

The foreign currency gain of loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated to the exchange rate at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date the fair value was determined. Foreign currency differences arising on retranslation are recognised in the Consolidated Statement of Profit and Loss and other Comprehensive Income.

The foreing currency rates as per Czech National Bank were as stated below:

	30.06.2018	Average for the period
Czech Crown (CZK) / EUR	26.02	25.4996

	31.12.2017	Average for the year
Czech Crown (CZK) / EUR	25.54	26.3257

2. 4 *Investment properties*

Investment properties that are held for long-term rental yields or for capital appreciation or both (including the land bank), and that is not occupied by the Group, are classified as investment properties.

Investment properties are comprised of buildings and land plots owned or held under perpetual usufruct.

Investment properties are measured initially at cost, including transaction costs directly attributable to the acquisitions. After initial recognition, investment properties are carried at fair value. Fair value is based on discounted cash flow projections. These valuations are performed annually by independent experts who hold recognized and relevant professional qualifications and have the necessary knowledge and experience. Investment properties that are being redeveloped for continuing use as an investment property or for which the market has become less active continue to be measured at fair value. Fair value as determined as at 31 December 2017 and 31 December 2016 is based on valuation provided by Jones Lang LaSalle, chartered surveyors using recognised valuation techniques.

The fair value of investment properties reflect, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the properties.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the consolidated statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Changes in fair values are recorded in the consolidated statement of profit or loss and other comprehensive income.

On derecognition, realised gains and losses on disposal of investment properties are recognised in the Consolidated Statement of Profit and Loss and Other Comprehensive Income.

2. 5 *Leases*

a) Operating lease
Properties leased out under operating leases are included in investment property in the consolidated statement of financial position. Lease income is recognized over the term of the lease on a straight-line basis.

b) Finance lease
When assets are leased out under a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the lease using the net investment method before tax, which reflects a constant periodic rate of return. The Group currently has not entered into any finance leases.

2. 6 *Trade and other receivables*

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of profit or loss and other comprehensive income.

2. 7 *Cash and cash equivalents*

Cash at bank and short term deposits that are held to maturity are carried at their amortised cost. Cash and cash equivalents comprise cash in hand and deposits held with banks, available within 3 months.

2. 8 *Equity*

Equity comprises instruments which do not include a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer (IAS 32 § 16 (a)). This includes share capital, the profit and loss of the reporting period, retained earnings and other reserves.

2. 9 *Loans and borrowings*

Loans and borrowings are recognized initially at fair value less any direct attributable transaction costs. Borrowings are subsequently stated at amortized cost; any difference between the initially recognized amount and the redemption value is recognized in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Fair value, which is determined for disclosure purposes, is calculated based on the present value of the future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

2. 10 *Current and deferred income tax*

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statement of profit or loss, except to the extent that it relates to items recognized directly in other comprehensive income or in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted at the balance sheet date in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deferred income tax asset can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority of either the taxable entity or different taxable entities where there is the intention to settle the balances on a net basis.

Deferred income tax on investments in subsidiaries

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred income tax on investment properties

Deferred income tax is provided on all temporary differences arising on the fair value of buildings and land held by the Group as investment properties even when they are located in special purpose entities except for, as described above, on initial recognition.

2. 11 *Trade and other payables*

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

2. 12 *Provisions*

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

2. 13 *Hedge accounting - cash flow hedge*

The Group is exposed to currency risk as most of rental income is denominated in EUR. The currency risk is being naturally hedged by EUR denominated loans, which are used for financing of activities. The current accounting treatment requires that these loans are revaluated using spot CNB FX rates into the profit and loss account. Therefore FX differences are recognised throughout the whole life of the EUR denominated loan whereas FX differences on rental income are recognised only in the period when the rental income is recorded. This is creating an accounting mismatch. The Group´s management has decided to employ hedge accounting 1 January 2017 to overcome this accounting mismatch.

The Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80%-125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that ultimately could affect reported profit or loss.

The Group designated received EUR denominated bank loans as hedging instruments. The hedged item is represented by the future lease payments that are considered to be highly probable. The cash flows from future lease payments are expected to occur and impact profit or loss in periods of 2017 to 2034, 2035 respectively.

2. 14 *Revenue recognition*

Rental revenue from investment property is recognised as revenue on a straight-line basis over the term of the operating lease. Lease incentives granted are recognised as an integral part of the total rental revenue, over the term of the lease. When the Group provides incentives to its customers, the cost of incentives are recognized over the lease term, on a straight-line basis, as a reduction of rental income.
The term of the lease is the non-cancellable period of the lease. Any further term for which the tenant has the option to continue the lease is not considered.

Service charges and expenses are presented net in the consolidated statement of profit or loss and other comprehensive income and disclosed separately in the notes to the consolidated financial statements. They are recorded based on issued invoices and accruals.

2. 15 *Expenses*

Expenses are recognised on an accrual basis, i.e. independent from payment.

2. 16 *Finance income and finance costs*

Finance income comprises interest income on funds invested and foreign exchange gains. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Foreign exchange gains comprise gains from translation of monetary assets and liabilities denominated in foreign currencies to the functional currency of the subsidiaries.

Finance costs comprise interest expenses on loans and borrowings and foreign exchange losses. Loans and borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. Foreign exchange losses comprise losses from translation of transactions in foreign currencies to the functional currency of the subsidiaries.

2. 17 *Segment reporting*

An operating segment is a component of the Group:
• that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with any of the Group's other components
• whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
• for which discrete financial information is available.
Segment information is presented in respect of the Group's operating and geographical segments. The Group's primary format for segment reporting is based on operating segments. The operating segments are determined based on the Group's management and internal reporting structure.

2. 18 *Subsequent events*

Post year-end events that provide additional information about the Group's position at the balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the Notes to the consolidated financial statements when material.

(all figures presented in CZK)

3. Notes to the Consolidated Statement of Financial Position

3.1 Investment properties

	30.06.2018	1.7.2017-31.12.2017 31.12.2017	30.06.2017
Investment property at cost brought forward	**495 513 219**	**490 776 778**	**483 872 705**
Additions			
Investment property acquired through asset purchase	261 579 053	-	-
Fit-outs and other capital expenditures	450 510	4 736 441	6 904 073
Investment property at cost	**757 542 783**	**495 513 219**	**490 776 778**
Unrealised change in fair value of current year	15 589 186	10 241 086	31 601 427
Unrealised change in fair value OB - RP Saratov	80 941 890		
Unrealised change in fair value of prior years	152 691 981	142 450 895	142 450 895
Total accumulated unrealised change in fair value	**249 223 057**	**152 691 981**	**174 052 322**
Investment properties at fair value	**1 006 765 840**	**648 205 200**	**664 829 100**

Investment properties consist of:

- Retail Park Tábor (former Fidurock SPV1) - retail park in Tábor, Soběslavská 3046, Czech Republic.
- Retail Park Severka Liberec (former Fidurock Liberec) - retail park in Liberec, Sousedská 607, Liberec XI - Růžodol I, Czech Repblic.
- Retail Park Senica - retail park in Obchodna 3128/7, 905 01 Senica, Slovak Republic.
- Retail Park Saratov (Slovak Investment Group) - Saratovska 13, 841 02 Bratislava, Slovak Republic.

Fit-outs represent the expenditures incurred to facilitate the rental space while the capital expenditures represent costs incurred to increase the general standard of the property.

Pledges

Both investment properties serve as a pledge on the bank loans.

Valuation process

The valuation process is performed at least once a year, at year end. In 2017 the management has mandated Jones Lang LaSalle as external independent appraisers which hold a recognized relevant professional qualification and have recent experience in the locations and segments of the investment properties valued.

Appraisers have access to documents to support their review including details of the properties, actual figures and budgets. The results of the review are then discussed with the management to ensure that the highest and best use assumption is respected and that the fair values reflect the latest update on the projects. Material valuation changes, assumptions and inputs are systematically reviewed and challenged by the controlling department and management.

(all figures presented in CZK)

Valuation techniques

The best evidence of fair value is current prices in an active market for similar assets. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. To determine the fair value as at 31 December 2017 and 31 December 2016 the Group applied the following valuation technique:

(i) Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The fair value of properties is based on the highest and best use of the investment properties as described by IFRS 13. It takes into account the use of the asset that is physically possible, legally permissible and financially feasible. On a general basis the current use of the asset has been considered as the highest and best use, but the possibility of a full redevelopment has been systematically tested and carefully evaluated.

Investment properties have been classified according to the nature and risks of the properties. The following factors have basically been taken into consideration:
- location,
- nature (office, retail, warehouse, etc.)
- added value potential,
- condition and state of repair.

Investment property is classified as being held under operating leases. The lease agreements contain provisions according to which the rent is increased progressively in accordance with the consumer price index. Leases are payable monthly in advance. The lease income is recognized on a straight-line basis. Some lease agreements contain provisions regarding lease improvements and landlord restructuring compensation payments.

Portfolio summary

	30.06.2018		31.12.2017	
	Value at cost	**Fair value**	**Value at cost**	**Fair value**
Retail Park Tábor	286 248 599	338 260 000	286 248 599	332 020 000
Retail Park Severka	243 907 014	322 127 600	209 264 620	316 185 200
Senica	71 190 174	69 109 120		
Saratov	190 839 390	277 269 120		
	792 185 177	**1 006 765 840**	**495 513 219**	**648 205 200**

	30.06.2017	
	Value at cost	**Fair value**
Retail Park Tábor	286 248 599	340 535 000
Retail Park Severka Liberec	204 528 179	324 294 100
	490 776 778	**664 829 100**

(all figures presented in CZK)

3.2 Trade and other receivables

	30.06.2018	31.12.2017	30.06.2017
Trade receivables (gross)	17 178 491	7 745 747	3 793 026
Allowance for doubtful debts	(5 441 370)	(367 962)	(367 962)
Trade receivables (net)	**11 737 121**	**7 377 785**	**3 425 064**

Rents receivable, which are generally due for settlement at the relevant month end, are recognised and carried at the original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer possible.

	30.06.2018	31.12.2017	30.06.2017
Income tax advances and receivables	2 452 596	684 538	684 538
Receivables from shareholder (refer to note 8.1)	2 040 000	2 040 000	2 041 000
Other receivables	12 487 859	416 668	185 256
TOTAL other receivables	**16 980 455**	**3 141 206**	**2 910 794**
TOTAL trade and other receivables	**28 717 576**	**10 518 991**	**6 335 858**

All trade and other receivables are expected to be recovered within 12 months after reporting period.

3.3 Prepayments and other assets

	30.06.2018	31.12.2017	30.06.2017
Prepaid services	646 837	224 252	223 297
Other	3 762 048	368 096	170 976
TOTAL prepayments	**4 408 885**	**592 348**	**394 273**

3.4 Cash and cash equivalents

	30.06.2018	31.12.2017	30.06.2017
Cash in hand	428 538	298 438	298 438
Cash at bank - unrestricted	17 919 327	13 020 978	20 001 828
Cash in bank - restricted - other (refer to Note 6.3)	11 411 354	11 220 102	7 288 368
TOTAL cash and cash equivalents	**29 759 219**	**24 539 518**	**27 588 634**

(all figures presented in CZK)

3.5 Equity

a) Share capital

	FIDUROCK Private Equity Participations B.V.		30.06.2018 TOTAL
Number of shares authorised	300		300
Registered capital	2 040 000		2 040 000
% OF OWNERSHIP	**100%**		**100%**

	FIDUROCK Private Equity Participations B.V.		31.12.2017 TOTAL
Number of shares authorised	300		300
Registered capital	2 040 000		2 040 000
% OF OWNERSHIP	**100%**	**0%**	**100%**

The share issued has been fully paid as at 30 June 2018. The nominal value of 1 share is 6 800 CZK. There are no specific rights, preferences and restrictions attached to the shares.

b) Capital reserves

Capital reserves represent the paid capital contributions provided by the sole shareholder that do not form a part of the share capital.
During 2016 the sole shareholder paid capital contributions amounting to 15 414 005 CZK. In 2017, the Group redeemed to sole shareholder capital contributions of CZK 8 719 000.

c) Cash flow hedge reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows or items affect profit or loss.

d) Dividends

No dividends were paid to owner in 2016 and 2017. No dividends have been proposed or declared to be distributed to the owner as at the date of an authorization of these consolidated financial statements.

(all figures presented in CZK)

3.6 Loans and borrowings

	Due within 1 year	More than 1 year	30.06.2018	31.12.2017	30.06.2017
Third-party loans					
Bank loans	30 736 100	496 251 113	526 987 213	295 035 481	311 245 598
TOTAL third-party loans	**30 736 100**	**496 251 113**	**526 987 213**	**295 035 481**	**311 245 598**
Related-party loans					
FIDUROCK CAPITAL CZ	147 470 065	-	147 470 065	136 839 006	101 535 475
David Hauerland	335 201	-	335 201	335 201	331 911
Star Capital MezzFin s.r.o.	-	-	-	-	19 766 817
TOTAL related-party loans	**147 805 266**	**-**	**147 805 266**	**137 174 207**	**121 634 203**
TOTAL loans and borrowings	**178 541 366**	**496 251 113**	**674 792 479**	**432 209 688**	**432 879 801**

Bank loans consist of loans from Oberbank. Loan for RP Tábor is repayable in 2021 (the Group expects the loan to be prolonged or refinanced). Loan for RP Severka Liberec is repayable in 2032. Both investment properties serve as a pledge on the bank loans. The bank loans are further collateralised by the pledge on 100% stake in both subsidiaries.

Reconciliation of movements of loans and borrowings to cash flows arising from financing activities

	Third-party loans	*Related-party loans*	*Total*
Balance at 1 January 2017	295 035 481	137 174 207	432 209 688
Changes from financing cash flows			
Proceeds from loans and borrowings	-	9 048 000	9 048 000
Repayment of loans and borrowings	(17 230 338)	-	(17 230 338)
		-	-
Interest paid (incl. arrangement fee)	(8 408 016)	-	(8 408 016)
	(25 638 354)	9 048 000	(16 590 354)
Other changes			
Effect of movements in exchange rates	(17 657 469)	-	(17 657 469)
Other changes	-	-	-
Acquisition of loan through property asset acquisition	-	-	-
Interest expense	8 606 947	12 742 467	21 349 414
	(9 050 522)	12 742 467	3 691 945
Balance at 31 December 2017	**295 035 481**	**137 174 207**	**432 209 688**
Balance at 1 January 2018	295 035 481	137 174 207	432 209 688
Changes from financing cash flows			
Proceeds from loans and borrowings	240 343 627	38 562 044	278 905 672
Repayment of loans and borrowings	(13 438 233)	(35 211 785)	(48 650 018)
Interest paid (incl. arrangement fee)		-	-
	226 905 394	3 350 259	230 255 653
Other changes			
Effect of movements in exchange rates		-	-
Interest expense	5 046 339	7 280 799	12 327 138
	5 046 339	7 280 799	12 327 138
Balance at 31 December 2017	**526 987 213**	**147 805 266**	**674 792 479**

3.7 Deferred income

	30.06.2018	31.12.2017	30.06.2017
Prepaid rent, thereof:			
long-term portion	1 405 669	1 982 962	2 649 628
short-term portion	1 300 000	1 333 333	1 333 333
TOTAL deferred income	**2 705 669**	**3 316 295**	**3 982 962**

3.8 Other non-current liabilities

	30.06.2018	31.12.2017	30.06.2017
Related party liabilities	290 392	9 292	3 000
Tenants' security deposits - long term	4 703 575	1 863 347	2 220 023
Suppliers' warranty retentions - long term	1 287 990		
TOTAL other non-current liabilities	**6 281 957**	**1 872 639**	**2 223 023**

(all figures presented in CZK)

3.9 Trade, other payables and accruals

	30.06.2018	31.12.2017	30.06.2017
Trade payables	6 955 122	2 446 162	2 041 298
TOTAL trade payables	**6 955 122**	**2 446 162**	**2 041 298**
VAT due	1 804 745	816 248	458 560
Corporate income tax due	3 828 700	175 560	(1 300 000)
Other payables	1 985 584	1 170 854	2 606 091
TOTAL other payables	**7 619 029**	**2 162 662**	**1 764 651**
TOTAL trade, other payables and accruals	**14 574 151**	**4 608 824**	**3 805 949**

3.10 Income tax

Tax recognized in Consolidated Statement of Financial Position

Deferred income tax assets	30.06.2018	31.12.2017	30.06.2017
Unused tax losses	1 949 274	1 364 758	1 364 758
TOTAL deferred income tax assets	**1 949 274**	**1 364 758**	**1 364 758**
Deferred income tax liabilities			
Investment property	57 777 439	33 391 012	36 343 534
Cash flow hedge reserve	2 226 250	3 261 619	1 817 954
TOTAL deferred income tax liabilities	**60 003 689**	**36 652 631**	**38 161 488**
TOTAL deferred income tax assets / (liabilities)	**(58 054 416)**	**(35 287 873)**	**(36 796 730)**

A deferred tax liability on the difference between the accounting value and the tax value of the properties is recorded against income statement, deferred tax on hedge accounting reserve is recorded against equity.

Tax recognized in Consolidated Statement of Profit and Loss and Other Comprehensive Income

	30.06.2018	30.06.2017
Current tax expense	2 188 259	340 460
Deferred tax expense	21 966 806	8 469 204
TOTAL income tax expenses	**24 155 065**	**8 809 664**

(all figures presented in CZK)

4. Notes to the Consolidated Statement of Profit or Loss and Other Comprehensive Income

4.1 Rental income

	30.06.2018	30.06.2017
Rental income	31 742 281	25 023 344
TOTAL rental income	**31 742 281**	**25 023 344**

4.2 Net service charge expenses

	30.06.2018	30.06.2017
Service charge expenses	(10 384 416)	(5 023 801)
Service charge income	3 976 302	3 660 120
TOTAL net service charge expense	**(6 408 114)**	**(1 363 681)**

Significant increase in volume of service charge income and expenses reflects additional two retail parks included in the consolidated group in 2018.

4.3 Asset management fees

	30.06.2018	30.06.2017
Asset management fees	(2 083 641)	(2 797 943)
Letting fees	-	(16 479)
TOTAL asset management fees	**(2 083 641)**	**(2 814 422)**

Asset management is provided by Lincoln Property Company Europe.

Based on the agreements the Asset Managers provide such advice and assistance as the owners may require to enable it to formulate and implement the business plan and any changes thereto, and shall use all reasonable endeavours within the agreed services to procure that the goals and targets set out in the business plan are achieved, all for the purpose of enabling the owners to enhance the income yield and the investment value of the assets and maximise the return on investment in the Group while minimising the risks (to the extent possible) associated therewith and to provide other advice in regard thereto.
Asset management fees are charged as flat fees plus additional costs (if relevant) by the asset managers.

(all figures presented in CZK)

4.4 Other operating income

	30.06.2018	30.06.2017
Other income from properties		1 610 980
Income from early termination of lease contracts		3 982 393
Other operating income	419 623	(92 817)
TOTAL other operating income	**419 623**	**5 500 556**

4.5 Other corporate expenses

	30.06.2018	30.06.2017
Audit, legal and other professional fees	(348 643)	(139 234)
Administrative and accounting fees	(1 346 720)	(129 017)
Bank charges	(9 212)	(8 990)
Other expenses	(330 288)	-
TOTAL other corporate expenses	**(2 034 863)**	**(277 241)**

4.6 Finance income

	30.06.2018	30.06.2017
Interest and similar income from third-parties	-	(51)
Foreign currency exchange gain, net	-	232 946
Other financial revenues	126	(2)
TOTAL finance income	**126**	**232 893**

4.7 Finance costs

	30.06.2018	30.06.2017
Interest and similar expense from related-parties	(7 280 799)	(5 921 464)
Interest and similar expense from third-parties	(5 046 339)	(4 338 851)
Foreign currency exchange loss, net	(135 628)	108 840
Other financial expenses	(1 252 492)	(18 173)
TOTAL finance costs	**(13 715 258)**	**(10 169 648)**