Company Registration No. C 55616

EVAN GROUP PLC
Report and Financial Statements
for the year ended 31 December 2018

CONTENTS

GENERAL INFORMATION

Registration

Evan Group plc ("the company") is registered in Malta as a public limited liability company under the Companies Act (Cap 386). The company's registration number is C 55616.

Directors

Michael Nave
SWITZERLAND

Ulrich Gerstner
SWITZERLAND

Stefan Feuerstein (Appointed 25th October 2019)
GERMANY

Company Secretary

Thomas Jacobsen
168, St Christopher Street
Valletta VLT 1467
MALTA

Registered Office

168, St. Christopher Street
Valletta VLT 1467
MALTA

Auditor

RSM Malta
Mdina Road
Zebbug ZBG 9015
MALTA

DIRECTORS' REPORT

The directors present the annual report and the financial statements for the financial year ended 31 December 2018.

Principal activity

The company is principally engaged in that of a holding company.

Review of the business

The statement of comprehensive income is set out on page 9.

During the year under review the company registered a loss before tax of EUR 3,119,114 (2017: Loss before tax of €1,901,706). No dividends were declared and distributed during the year.

The directors expect the present level of activity to increase and grow over the coming year.

Directors

During the year ended 31 December 2018, the directors were as listed on page 2. In accordance with the company's Memorandum and Articles of Association, the present directors are to remain in office.

Events after the reporting period

There were no adjusting or significant non-adjusting events that occurred between the reporting date and the date of the financial statements.

Future developments

The company is not envisaging any changes in operating activities for the forthcoming years.

Statement of directors' responsibilities

The Companies Act (Cap 386) requires the directors to prepare financial statements for each financial period which give a true and fair view of the financial position of the company as at the end of the financial period and of the profit or loss for that period.

The directors are also responsible for ensuring that:

- appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgements and estimates;
- the financial statements have been drawn up in accordance with generally accepted accounting principles and practices;
- the financial statements are prepared on the basis that the company must be presumed to be carrying on its business as a going concern; and
- account has been taken of income and charges relating to the accounting period, irrespective of the date of receipt or payment.

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them 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 misstatements whether due to fraud or error. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' REPORT - continued

Auditors

RSM Malta has expressed their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

Ulrich Gerstner
Director

Michael Nave
Director

31 October 2019

RSM Malta
Mdina Road,
Zebbug ZBG 9015,
Malta.
T +356 2278 7000
F +356 2149 3318
www.rsm.com.mt

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Evan Group plc

Opinion

We have audited the accompanying financial statements of Evan Group plc ("the Company") set out on pages 9 to 25, which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Companies Act (Cap. 386).

Basis for Opinion

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

INDEPENDENT AUDITORS' REPORT – continued

Other Information

The directors are responsible for the other information. The other information comprises the general information and the directors' report. Our opinion on the financial statements does not cover the other information, including the directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Under Article 179(3) of the Companies Act (Cap. 386), we are required to consider whether the information given in the directors' report is compliant with the disclosure requirements of Article 177 of the same Act.

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

- the directors' report has been prepared in accordance with the Companies Act (Cap. 386);
- the information given in the directors' report for the financial year on which the financial statements had been prepared is consistent with those in the financial statements; and
- in light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and the requirements of the Companies Act (Cap.386), and for 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.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless 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 Company's financial reporting process.

INDEPENDENT AUDITORS' REPORT – continued

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT – continued

Auditor's Responsibilities for the Audit of the Financial Statements – continued

We communicate with the directors 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.

This copy of the audit report has been signed by
Conrad Borg (Partner)
for and on behalf of

RSM Malta
Certified Public Accountants

31 October 2019

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018

	Notes	31.12.18 EUR	31.12.17 EUR
Administrative expenses	4	**(2,822,957)**	(1,813,379)
Finance income	5	**732,343**	119,086
Finance costs	6	**(1,028,500)**	(207,413)
Loss before taxation		**(3,119,114)**	(1,901,706)
Income tax expense	7	**-**	-
Loss for the year		**(3,119,114)**	(1,901,706)
Total comprehensive loss for the year		**(3,119,114)**	(1,901,706)

The accounting policies and explanatory notes on pages 13 to 25 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

	Notes	31.12.18 EUR	31.12.17 EUR
ASSETS			
Non-current assets			
Investments in subsidiaries	8	**100,034,557**	100,034,557
Financial assets at FVPL	9	**1,003,888**	-
Loans and receivables	10	**1,265,887**	-
		102,304,332	100,034,557
Current assets			
Loans and receivables	10	**11,016,302**	13,891,040
Cash and cash equivalents	12	**1,010,154**	78,207
		12,026,456	13,969,247
TOTAL ASSETS		**114,330,788**	114,003,804
EQUITY AND LIABILITIES			
Issued capital	11	**100,500,000**	100,500,000
Accumulated losses	11	**(5,387,333)**	(2,268,219)
TOTAL EQUITY		**95,112,667**	98,231,781
Non-current liabilities			
Bonds in issue	13	**17,958,000**	15,043,000
Current liabilities			
Trade and other payables	14	**178,194**	726,071
Loans payable	15	**1,081,927**	2,952
		1,260,121	729,023
Total liabilities		**19,218,121**	15,772,023
TOTAL EQUITY AND LIABILITIES		**114,330,788**	114,003,804

The accounting policies and explanatory notes on pages 13 to 25 form an integral part of the financial statements.

The financial statements on pages 9 to 25 have been approved and signed by the board of directors and signed on its behalf by:

Ulrich Gerstner
Director

Michael Nave
Director

31 October 2019

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

	Issued capital EUR	Shareholders' contribution EUR	Accumulated losses EUR	Total EUR
At 1 January 2017	**300,000**	**200,000**	**(366,513)**	**133,487**
Issuance of share capital	100,200,000	(200,000)	-	100,000,000
Total comprehensive loss for the year	-	-	(1,901,706)	(1,901,706)
At 31 December 2017	**100,500,000**	**-**	**(2,268,219)**	**98,231,781**
Total comprehensive loss for the year	-	-	(3,119,114)	(3,119,114)
At 31 December 2018	**100,500,000**	**-**	**(5,387,333)**	**95,112,667**

The accounting policies and explanatory notes on pages 13 to 25 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2018

	31.12.18 EUR	31.12.17 EUR
Cash flows from operating activities		
Loss before tax	**(3,119,114)**	(1,901,706)
Adjustments:		
Finance income	**(732,343)**	(119,086)
Commission expense	**832,539**	685,073
Interest expense	**1,025,903**	207,413
Working capital adjustments:		
Increase in receivables	**(949,601)**	(8,665)
Increase in trade and other payables	**553,077**	488,191
Net cash from operating activities	**(2,389,539)**	648,780
Cash flows from investing activities		
Acquisition of available for sale investments	**(1,003,888)**	(25,000)
Interest paid to bond holders	**(1,067,880)**	-
Net cash used in investing activities	**(2,071,768)**	(25,000)
Cash flows from financing activities		
Issuance of bonds	**3,027,000**	15,043,000
Payment of bonds	**(112,000)**	-
Movements in subsidiary balances	**1,765,693**	(4,684,759)
Movements in related party balances	**712,561**	(8,944,872)
Net cash from financing activities	**5,393,254**	749,647
Net movements in cash and cash equivalents	**931,947**	75,867
Cash and cash equivalents at the beginning of the year	**78,207**	2,340
Cash and cash equivalents at the end of the year (Note 12)	**1,010,154**	78,207

The accounting policies and explanatory notes on pages 13 to 25 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Evan Group plc ("the company") is a public limited liability company incorporated and registered under the Companies Act, (Cap. 386), enacted in Malta, with registration number C 55616. The company's registered address is 168, St. Christopher Street, Valletta VLT 1467, Malta. These financial statements cover the year ended 31 December 2018.

The ultimate controlling party is Ulrich Gerstner.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These financial statements have been prepared and presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. These have also been drawn up in accordance with the requirements of the Companies Act (Cap. 386) to the extent that such provisions do not conflict with the applicable framework.

These financial statements have been prepared under the historical cost convention and are presented in Euro (EUR), which is the company's functional currency.

These financial statements present information about the company as an individual undertaking. Consolidated financial statements have not been drawn up for the company and its subsidiaries as the company has availed itself of the exemption under the Companies Act, (Cap. 386) on the grounds that it is the parent of a small group.

Going concern

These financial statements have been presented as a going concern basis on the assumption that adequate financial support will continue to be made available by the shareholder to ensure that the company continues to meet its commitments as and when they fall due.

2.1 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing the financial statements, the directors are required to make judgements, estimates and assumptions that effect reported income, expenses, assets, liabilities, disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and if a change is needed, it is accounted in the year the changes become known.

In the opinion of the directors, the accounting estimates, assumptions and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 - Presentation of financial statements'.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are set out below:

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Interest is recognised in profit or loss on an accruals basis using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS - continued

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Income tax

Income tax expense comprises current tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Financial instruments

(i) Classification - *Policy effective from 1 January 2018 (IFRS 9)*

In accordance with IFRS 9, the Company classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

In applying that classification, a financial asset or financial liability is considered to be held for trading if:
(a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
(b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or
(c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial assets

The company classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

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

Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The company includes in this category loans, receivables as well as cash and cash equivalents.

Financial assets measured at fair value through profit or loss (FVPL)

A financial asset is measured at fair value through profit or loss if:
(a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding;
(b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
(c) At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments – continued

Financial liabilities

Financial liabilities measured at fair value through profit or loss (FVPL)

A financial liability is measured at FVPL if it meets the definition of held for trading.

Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The company includes in this category bonds in issue, loans payable and trade and other payables.

(ii) Classification - *Policy effective before 1 January 2018 (IAS 39)*

The company classifies its financial assets and financial liabilities at initial recognition into the following categories, in accordance with IAS 39.

Financial assets and liabilities at FVPL

The category of financial assets and liabilities at FVPL is sub-divided into:

- *Financial assets and liabilities held for trading*: Financial assets are classified as held for trading if they are acquired for the purpose of selling and/or repurchasing in the near term. This category includes equity instruments, debt instruments and derivatives. These assets are acquired principally for the purpose of generating a profit from short-term fluctuations in price. All derivatives and liabilities from short sales of financial instruments are classified as held for trading.

- *Financial instruments designated as at FVPL upon initial recognition*: These financial assets and liabilities are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the company.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The company includes in this category loans, receivables and cash and cash equivalents.

Other financial liabilities

This category includes all financial liabilities, other than those classified as at FVPL.

Recognition

The company recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments – continued

Initial measurement

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Financial assets and liabilities (other than those classified as at FVPL) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

Subsequent measurement

After initial measurement, the company measures financial instruments which are classified as at FVPL, at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets and liabilities at FVPL in the statement of comprehensive income. Interest and dividends earned or paid on these instruments are recorded separately in interest revenue or expense and dividend revenue or expense in the statement of comprehensive income.

Debt instruments, other than those classified as at FVPL, are measured at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the debt instruments are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified as at FVPL, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

The effective interest method (EIR) is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating and recognising the interest income or interest expense in profit or loss over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability. When calculating the effective interest rate, the company estimates cash flows considering all contractual terms of the financial instruments, but does not consider expected credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Derecognition

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

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

When the company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the company's continuing involvement in the asset. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments – continued

Derecognition - continued

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are actively traded in active markets at each reporting date is determined by reference to quoted market prices or dealer quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Investment in subsidiaries

Investments in subsidiaries are initially measured at cost. After initial recognition, the investments in subsidiaries are carried under the cost method. Under the cost method, such investments are measured at cost less any accumulated impairment losses. Distributions received from the subsidiaries are recognised as dividend income in profit and loss when the company's right to receive the dividend is established.

Impairment of subsidiaries

The carrying amount of the company's investments in subsidiaries are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised and the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised immediately in profit or loss.

The carrying amounts of the company's investment is subsidiary is also reviewed at each reporting date to determine whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss previously recognised is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Impairment reversals are recognised immediately in profit or loss.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment of financial assets

Policy effective from 1 January 2018 (IFRS 9)

IFRS 9 requires the company to record ECLs on all of its loans and trade receivables, either on a 12-month or lifetime basis. Given the limited exposure of the company to credit risk, this amendment has not had a material impact on the financial statements. The company mainly holds trade receivables with no financing component and which have maturities of less than 12 months at amortised cost and therefore has adopted an approach similar to the simplified approach to ECLs. For trade receivables which have been due for over 12 months, the balances were assessed individually based on the counterparty's credit risk. Management believes that the ECL on these are not significant to the company's financial statements.

Policy effective before 1 January 2018 (IAS 39)
The company assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor, or a group of debtors, is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and, where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future ECLs that have not yet been incurred) discounted using the asset's original EIR. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss as credit loss expense.

Impaired debts, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the company. If a previous write-off is later recovered, the recovery is credited to the credit loss expense.

Interest revenue on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Cash and cash equivalents

Cash and cash equivalents consist of cash in banks.

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Trade and settlement date accounting

All "regular way" purchases and sales of financial assets are recognised on the "trade date", that is, the date the company commits to purchase or sell the asset. Regular way purchases and sales are purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

NOTES TO THE FINANCIAL STATEMENTS – continued

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Related parties

The term related party refers to any related party as defined in IAS 24 "Related Party Disclosures".

3.0 NEW AND REVISED STANDARDS

During the year, the company has adopted several new standards and interpretations, or amendments thereto, issued by the International Accounting Standards Board and IFRS Interpretations Committee, and endorsed by the European Union. Except as otherwise discussed below, the adoption of these standards, interpretations or amendments thereto, did not have material impact on these financial statements.

In the current year, the Company has adopted IFRS 9 Financial Instruments as disclosed in Note 2.2 to the financial statements. Comparative figures for the year ended 31 December 2017 have not been restated. Therefore, financial instruments in the comparative period are still accounted for in accordance with *IAS 39 Financial Instruments: Recognition and Measurement.*

At the end of the reporting period, certain new standards, interpretations or amendments thereto, were issued and endorsed by the EU but not yet effective for the current financial year. There have been no instances of early adoption of these new standards, interpretations or amendments thereto ahead of their effective date. The director anticipates that the adoption of these new standards, interpretations and amendments thereto, will not have a material impact on the financial statements upon initial application except the following set out below:

4. EXPENSES BY NATURE

	31.12.18 EUR	31.12.17 EUR
Administrative expense		
Auditors' remuneration	**6,800**	4,000
Bank charges	**857**	2,696
Company registration	**1,400**	1,400
Commissions	**832,539**	685,073
Miscellaneous expenses	**18,835**	6,311
Professional fees	**1,962,526**	1,113,899
	2,822,957	1,813,379

5. FINANCE INCOME

	31.12.18 EUR	31.12.17 EUR
Interest from loans receivable	**732,342**	119,086
Interest from bank	**1**	-
	732,343	119.086

NOTES TO THE FINANCIAL STATEMENTS – continued

6. FINANCE COSTS

	31.12.18 EUR	31.12.17 EUR
Interest on bonds	**985,978**	206,748
Interest on loans to related parties	**39,925**	-
Unrealised loss on exchange	**2,222**	665
Realised loss on exchange	**375**	-
	1,028,500	207,413

7. INCOME TAX EXPENSE

The income tax on profit differs from the theoretical income tax expense that would apply on the company's profit using the applicable tax rate in Malta of 35% as follows:

	31.12.18 EUR	31.12.17 EUR
Loss before tax	**(3,119,114)**	(1,901,706)
Theoretical tax expense at 35%	**(1,091,690)**	(665,597)
Tax effect of interest not paid	**53,905**	16,168
Tax effect of interest not received	**(256,320)**	(41,681)
Effect of non-deductible expenses	**1,294,105**	691,110
Income tax expense	**-**	-

8. INVESTMENTS IN SUBSIDIARIES

The company's investments in the subsidiaries are stated at cost:

	31.12.18 EUR	31.12.17 EUR
Opening balance	**100,034,557**	-
Additions	**-**	100,034,557
Closing balance	**100,034,557**	100,034,557

NOTES TO THE FINANCIAL STATEMENTS - continued

8. INVESTMENTS IN SUBSIDIARIES - CONTINUED

Further information related to the company's subsidiaries is as follows:

	31.12.2018	31.12.2017
	EUR	EUR
Livint GmbH		
Share capital	**25,000**	25,000
Accumulated losses	**(96,949)**	(26,153)
Loss for the year	**(120,967)**	(70,795)

The company holds 94.9% of the ordinary share capital of Livinit GmbH, a company that is registered in Germany. The cost of this investment equated to €13,300,000.

	31.12.2018	31.12.2017
	EUR	EUR
Livin Frankfurt (formerly UNIMO Retail Properties VI GmbH		
Share capital	**25,000**	25,000
Accumulated losses	**(87,689)**	(43,310)
Loss for the year	**(2,336,905)**	(44,379)

The company holds 94.9 % of the ordinary share capital of Livin Frankfurt, a company that is registered in Germany. The cost of investment is €25,400,000.

	31.12.2018	31.12.2017
	CHF	CHF
Evan Management AG		
Share capital	**100,000**	100,000
Accumulated losses	**(128,058)**	(131,989)
Profit for the year	**20,733**	3,931

The company holds 100% of the ordinary share capital of Evan Management AG, a company registered in Switzerland. The cost of investment is €9,557.

	31.12.2018	31.12.2017
	EUR	EUR
Shopinit GmbH		
Share capital	**25,000**	25,000
Accumulated losses	**(15,464)**	-
Loss for the year	**(13,099)**	(15,464)

The company holds 94.9% of the ordinary share capital of Shopinit GmbH, a company that is registered in Germany. The cost of investment is €61,300,000.

NOTES TO THE FINANCIAL STATEMENTS - continued

8. INVESTMENTS IN SUBSIDIARIES - CONTINUED

	31.12.2018 EUR	31.12.2017 EUR
Sleepinit GmbH		
Share capital	**25,000**	25,000
Accumulated losses	**(15,230)**	-
Profit / (loss) for the year	**17,880**	(15,230)

The company holds 100% of the ordinary share capital of Sleepinit GmbH, a company registered in Germany. The cost of investment is €25,000.

Based on management's assessment, no impairment is recognised on all investments in subsidiaries during the year. The costs of the investments represent their purchase price based on the valuation report obtained by the company in relation to the acquisition to these subsidiaries on 24 May 2017.

9. FINANCIAL ASSETS AT FVPL

	31.12.18 EUR	31.12.17 EUR
Opening balance	-	-
Additions	**1,003,888**	-
Disposals	-	-
As at 31 December	**1,003,888**	-

10. LOAN AND RECEIVABLES

	31.12.18 EUR	31.12.17 EUR
Non-Current		
Loans receivable from related parties	**1,265,887**	-
Current		
Loans receivable from subsidiaries	**3,211,307**	4,684,759
Loans receivable from related parties	**6,735,895**	9,086,782
Other receivables	**257,182**	-
Prepayments and accrued income	**811,918**	119,499
	11,016,302	13,891,040

The amounts due from subsidiaries and related parties accrues interest at 6.5% per annum. The Non-Current loan receivable is payable on 21 January 2021. All other loans receivable have no fixed date for repayment, but are expected to be realised within twelve months after the statement of financial position date and are subject to 3 months written notice. The amounts are unsecured and no guarantees have been received.

NOTES TO THE FINANCIAL STATEMENTS – continued

11. CAPITAL AND RESERVES

	31.12.18 EUR	31.12.17 EUR
Authorised		
300,000,000 ordinary shares of EUR 1 each	**300,000,000**	300,000,000
Issued and fully paid		
100,500,000 ordinary shares of EUR 1 each	**100,500,000**	100,500,000

Retained earnings

Accumulated losses of €5,387,333 represent the company accumulated losses for the period ended 31 December 2018 (2017: €2,268,219)

12. CASH AND CASH EQUIVALENTS

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

	31.12.18 EUR	31.12.17 EUR
Cash in bank	**1,010,154**	78,207

13. BONDS IN ISSUE

	31.12.18 EUR	31.12.17 EUR
Bonds issued	**17,958,000**	15,043,000

On 3 July 2017, the Company passed a resolution to issue unsecured senior bonds with a total maximum amount of €125,000,000 at a nominal rate of €1,000 per bond subject to 6% annual interest with final maturity date on 31 July 2022. As at 31 December 2018, €29,098,000 bonds were made available of which €16,798,000 has been fully subscribed and received. Interest expense recognised during the year amounted to €985,978 (2017 €206,748) (Note 5).

These bonds were listed in the open market of Frankfurt Stock Exchange.

14. TRADE AND OTHER PAYABLES

	31.12.18 EUR	31.12.17 EUR
Trade payables	**12,304**	493,972
Other payables	**557**	21,351
Accruals	**165,333**	210,748
	178,194	726,071

NOTES TO THE FINANCIAL STATEMENTS – continued

15. LOANS PAYABLE

	31.12.18 EUR	31.12.17 EUR
Loans payable to shareholders	2,952	2,952
Loans payable to subsidiaries	292,241	-
Loans payable to related parties	786,734	-
	1,081,927	2,952

The amounts owed to shareholders are unsecured, no guarantees have been given and are payable on demand.

The amounts due to subsidiaries and related parties accrues interest at 6.5% per annum. Though these amounts have no fixed date for repayment, the loans are expected to be realised within twelve months after the statement of financial position date and are subject to 3 months written notice. The amount is unsecured and no guarantees have been received.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

At the end of the period, the company's financial assets on the statement of financial position comprise of loans and receivables while the company's financial liabilities comprise of trade and other payables, loans payable and bonds in issue. At the end of the period, there were no off-balance sheet financial assets and financial liabilities.

The main risks arising from the company's financial instruments are credit risk, liquidity risk and market risk. The directors review and agree policies for managing each of these risks which are summarized below.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to an investing loss. Management is of the opinion that credit risk arising from amounts due by subsidiary companies is limited in view of their commercial visibility.

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company has low liquidity risk as it is fully financed by equity from its shareholders.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as foreign exchange rates and interest rates. Financial instruments affected by market risk include loans receivable and payable.

Currency risk

At the reporting date, the company was not exposed to currency risk since all financial instruments were denominated in the company's functional currency.

NOTES TO THE FINANCIAL STATEMENTS – continued

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - CONTINUED

Market risk - continued

Interest rate risk

At the reporting date, the company was exposed to interest rate risk on interest bearing financial assets and liabilities.

Fair values

At 31 December 2018 and 31 December 2017, the carrying amounts of financial assets and liabilities approximated their fair values.

Capital management

The primary objective of the company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value.

The company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the company may adjust its distribution of profits, return capital to shareholders, issue new shares or use intercompany funding options.

18. RELATED PARTIES

Related party balances are shown in Notes 10 and 15 to these financial statements. Further details of transactions carried out during the financial period with related parties are as follows:

	31.12.18	31.12.17
	EUR	EUR
Subsidiaries:		
Management fees (i)	**1,925,000**	548,450
Interest income	**186,961**	119,086
Interest expense	**39,925**	-
Related parties:		
Consultancy fees	-	280,000

(i) The above transactions are recognised as part of professional fees for the year ended 31 December 2018 and 2017.