

**Savarin P.L.C.**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**30 June 2021**

## Savarin P.L.C. Consolidated Financial Statements

As at and for the six months ended 30 June 2021

(all amounts in EUR thousand)

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## Savarin P.L.C. Consolidated Financial Statements

As at and for the six months ended 30 June 2021

*(all amounts in EUR thousand)*

### Consolidated statement of financial position

As at 30 June 2021

	Note	As at 30 June 2021	As at 31 December 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment property	6	187,622	--
Intangible assets		15	--
Restricted cash	8	1,582	--
Prepayments	7	840	--
<b>Total non-current assets</b>		<b>190,059</b>	<b>--</b>
<b>Current assets</b>			
Income tax assets		65	--
Trade and other receivables	7	1,702	100
Prepayments	7	951	202
Cash and cash equivalents	8	8,230	--
<b>Total current assets</b>		<b>10,948</b>	<b>302</b>
<b>Total assets</b>		<b>201,007</b>	<b>302</b>
<b>EQUITY</b>			
<b>Capital attributable to the Company's equity holders</b>			
Share capital	9	50	50
Translation reserve		993	--
Retained earnings		33,458	(114)
<b>Total equity attributable to equity holders of the parent</b>		<b>34,501</b>	<b>(64)</b>
<b>Non-controlling interests</b>		<b>--</b>	<b>--</b>
<b>Total equity</b>		<b>34,501</b>	<b>(64)</b>

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

**Savarin P.L.C. Consolidated Financial Statements**

As at and for the six months ended 30 June 2021

(all amounts in EUR thousand)

**Consolidated statement of financial position (continued)**

**As at 30 June 2021**

	Note	As at 30 June 2021	As at 31 December 2020
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank loans and borrowings	11	83,422	--
Bonds issued	10	61,766	--
Financial instruments - derivatives	20	1,376	--
Advances received	12	362	--
Deferred tax liability	13	18,048	--
<b>Total non-current liabilities</b>		<b>164,974</b>	<b>--</b>
<b>Current liabilities</b>			
Bank loans and borrowings	11	1,010	--
Trade payables and other liabilities	12	417	366
Advances received	12	103	--
Deferred income		2	--
<b>Total current liabilities</b>		<b>1,532</b>	<b>366</b>
<b>Total liabilities</b>		<b>166,506</b>	<b>366</b>
<b>Total liabilities and equity</b>		<b>201,007</b>	<b>302</b>

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

The consolidated financial statements on pages 3 – 51 were approved and authorized for issue by the Board of Directors on 30 September 2021 and signed on its behalf by:



Adriana Camilleri Vassallo

for and on behalf of

FJV Management Limited

Director



Kurt Risiott

Director

## Savarin P.L.C. Consolidated Financial Statements

As at and for the six months ended 30 June 2021

*(all amounts in EUR thousand)*

### Consolidated statement of comprehensive income

For the six months ended 30 June 2021

	Note	For the period from 1 January to 30 June 2021	For the period from 3 July 2019 to 31 December 2020
Rental revenue	14	1,212	--
<b>Total revenues</b>		<b>1,212</b>	<b>--</b>
Net valuation gain on investment property	6	15,380	--
Impairment of loans provided and trade receivables	7	(125)	(1)
Impairment loss on other assets		1	(1)
Other operating income	14	25,745	67
Other operating expenses	15	(1,480)	(179)
<b>Operating profit</b>		<b>40,733</b>	<b>(114)</b>
Interest and other finance income	16	2,232	--
Interest and other finance expense	16	(5,372)	--
<b>Net finance expense</b>		<b>(3,140)</b>	<b>--</b>
<b>Profit before income tax</b>		<b>37,593</b>	<b>--</b>
Income tax expense	17	(4,021)	--
<b>Profit for the year</b>		<b>33,572</b>	<b>--</b>
<b>Items that are or may be reclassified subsequently to profit or loss</b>			
Foreign currency translation differences		993	--
<b>Other comprehensive income</b>		<b>993</b>	<b>--</b>
<b>Total comprehensive income for the year</b>		<b>34,565</b>	<b>(114)</b>
<b>Profit/(loss) for the year attributable to:</b>			
Owners of the Company		33,572	(114)
Non-controlling interests		--	--
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		34,565	(114)
Non-controlling interests		--	--

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

## Savarin P.L.C. Consolidated Financial Statements

As at and for the six months ended 30 June 2021  
(all amounts in EUR thousand)

### Consolidated statement of changes in equity

For the six months ended 30 June 2021

	Share capital	Translation reserve	Retained earnings	Attributable to owner of the Parent	Attributable to non-controlling interests	Total equity
Balance at 1 January 2021	50	--	(114)	(64)	--	(64)
Total comprehensive income for the year:						
Profit for the year	--	--	33,572	33,572	--	33,572
Other comprehensive income for the year:						
Foreign currency translation differences	--	993	--	993	--	993
<b>Total other comprehensive income for the year</b>	--	993	--	993	--	993
Total comprehensive income for the year	--	993	33,572	34,565	--	34,565
<b>Balance at 30 June 2021</b>	<b>50</b>	<b>993</b>	<b>33,458</b>	<b>34,501</b>	<b>--</b>	<b>34,501</b>

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

## Savarin P.L.C. Consolidated Financial Statements

As at and for the six months ended 30 June 2021  
(all amounts in EUR thousand)

### Consolidated statement of changes in equity For the period from 3 July 2019 to 31 December 2020

	Share capital	Translation reserve	Retained earnings	Attributable to owner of the Parent	Attributable to non-controlling interests	Total equity
Balance at 3 June 2019	3	--	--	--	--	3
<b>Total comprehensive income for the year:</b>						
Profit for the year	--	--	(114)	--	--	(114)
Other comprehensive income for the year:	--	--	--	--	--	--
Foreign currency translation differences	--	--	--	--	--	--
<b>Total other comprehensive income for the year</b>	--	--	(114)	--	--	(114)
<b>Total comprehensive income for the year</b>	--	--	(114)	--	--	(114)
Transfers within equity	--	--	--	--	--	--
Issue of share capital	47	--	--	--	--	47
<b>Balance at 31 December 2020</b>	<b>50</b>	<b>--</b>	<b>(114)</b>	<b>--</b>	<b>--</b>	<b>(64)</b>

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

## Savarin P.L.C. Consolidated Financial Statements

As at and for the six months ended 30 June 2021

*(all amounts in EUR thousand)*

### Consolidated statement of cash flows

For the six months ended 30 June 2021

	Note	For the period from 1 January to 30 June 2021	For the period from 3 July 2019 to 31 December 2020
<b>Cash flows from operating activities:</b>			
Profit/(loss) before taxation		37,593	(114)
Adjustments for:			
Net valuation (gain) on investment property	6	(15,380)	--
Amortization of intangible assets		1	--
Impairment loss on trade and other receivables	7	125	1
Impairment loss on other assets		(1)	1
Non-cash (gain) on assignment of receivables		(25,745)	--
Interest income	16	--	--
Interest expense	16	3,854	--
Change in fair value of derivatives	20	1,376	--
Foreign exchange translation differences		(1,898)	--
<b>Operating profit before changes in the working capital</b>		<b>(75)</b>	<b>(112)</b>
Change in trade and other receivables and prepayments		(181)	(254)
Change in trade payables and other liabilities		(1,165)	366
<b>Net cash generated from / (used in) operations activities</b>		<b>(1,346)</b>	<b>--</b>
Income taxes paid		(2)	--
<b>Net cash flows generated from / (used in) operating activities</b>		<b>(1,423)</b>	<b>--</b>
<b>Cash flows from investing activities:</b>			
Expenditure on investment property	6	(684)	--
Payment for intercompany loans assigned	5	(51,155)	--
Acquisition of subsidiaries through acquisition of group of assets and liabilities, net of cash acquired	5	4,769	--
<b>Net cash flows used in investing activities</b>		<b>(47,070)</b>	<b>--</b>
<b>Cash flows from financing activities:</b>			
Repayment of loans and borrowings	11	(477)	--
Proceeds from bonds issued	11	58,132	--
Change in cash held on restricted bank accounts	11	(543)	--
Interest paid	11	(389)	--
<b>Net cash flows generated from financing activities</b>		<b>56,723</b>	<b>--</b>



## Savarin P.L.C. Consolidated Financial Statements

As at and for the six months ended 30 June 2021

(all amounts in EUR thousand)

### Consolidated statement of cash flows (continued)

For the year ended 31 December 2020

	Note	For the period from 1 January to 30 June 2021	For the period from 3 July 2019 to 31 December 2020
Net increase / (decrease) in cash and cash equivalents		8,230	--
Cash and cash equivalent at the beginning of the period **		--	--
Cash and cash equivalents at the end of the period **	8	<u>8,230</u>	<u>--</u>

\*\* Cash and cash equivalents include bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

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

## Notes to the consolidated financial statements

### 1 General information and basis of preparation

#### 1.1 General information

Savarin P.L.C. (formerly known as Crecol Limited) (the Company) and its subsidiaries (together the Group, see Note 22) operate in real estate development with a portfolio in the Czech Republic. The Group is principally involved in rental of retail and office spaces (commercial buildings and shopping malls) and in commercial development.

The Company is a Public Limited Company incorporated on 03 July 2019 and domiciled in Malta. The address of its registered office is B2, Industry Street, Zone 5, Central Business District, Qormi CBD 5030, Malta.

<u>Ownership structure as at</u>	<u>30/06/2021</u>	<u>Number of shares as at 30/06/2021</u>	<u>31/12/2020</u>	<u>Number of shares as at 31/12/2020</u>
Savarin Holdco Limited	99.998%	49,999	99.998%	49,999
Crestyl Finco Development Limited	0.002%	1	0.002%	1
		<b>50,000</b>		<b>50,000</b>

Ultimate parent and ultimate controlling party is Cali Global Investments Limited.

The Company is a subsidiary of Savarin HoldCo Limited, the registered office of which is situated at B2, Industry Street, Zone 5 Central Business District, Qormi, CBD5030, Malta. Savarin HoldCo Limited is the subsidiary of Crestyl Finco Development Limited, the registered office of which is situated at B2, Industry Street, Zone 5 Central Business District, Qormi, CBD5030, Malta. Crestyl Finco Development Limited is the subsidiary of Crestyl Holding Ltd., the registered office of which is situated at B2, Industry Street, Zone 5 Central Business District, Qormi, CBD5030, Malta. Crestyl Holding Limited is the subsidiary of Cali Global Investments (the ultimate parent company), the registered office of which is situated at B2, Industry Street, Zone 5 Central Business District, Qormi, CBD5030, Malta.

Both the ultimate parent Cali Global Investments and the intermediate company Crestyl Holding Limited prepare consolidated financial statements of the Group, of which the Company and its subsidiaries form part. The consolidated financial statements of the ultimate parent company are filed and will be available for public inspection at the Malta Business Registry.

For the composition of share capital refer to Note 9.

Legal and judicial representation of the Company shall be exercised by the Class A Directors. The business and affairs of the Company shall be managed by a Board of Directors which shall be composed of not less than 2 and not more than 10 directors, which shall at all times include 1 Class A director and 1 Class B director.

Directors of the Company as at 30 June 2021:

- FJV Management Limited (Class A director)
- Kurt Risiott (Class A director)

#### 1.2 Going concern

As at 30 June 2021, the Group has a positive equity position of EUR 34,501, and current assets that exceeded its current liabilities by EUR 9,416 thousand. In preparing these financial statements on a going concern basis, management has continued to meet its day to day working capital requirements up to the date of approval of these consolidated financial statements. Subsequently to the period end (refer to Note 24), part of non-current bank loans were refinanced by another non-current bank loan to reach the optimal structure of financing. Due to the continuing availability of banking facilities and renegotiations with lenders, the directors believe that it is appropriate to prepare the financial statements on the going concern basis as at 30 June 2021 which assumes that the Group will continue in operational existence for the foreseeable future.

## 2 Summary of significant accounting policies

### 2.1 Statement of compliance and basis of measurement

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS").

These consolidated financial statements have been prepared under the historical cost convention, in accordance with those IFRS standards and IFRIC interpretations issued and effective as at 30 June 2021 except for investments.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 - Critical accounting estimates and judgments.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. The accounting policies set out below have been applied consistently by Group entities.

### 2.2 Changes in significant accounting policies

A number of new standards are effective from 1 January 2021, but they do not have a material effect on the Group's financial statements.

*Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16: "Interest Rate Benchmark Reform Phase 2" (applicable for annual periods beginning on or after 1 January 2021)*

Interest Rate Benchmark Reform Phase 2 addresses issues that might affect financial reporting during the reform of interest rate benchmark, including the effects of changes to contractual cash flow or hedging relationship arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues).

The objectives of the Phase 2 amendments are to assist companies in:

- applying IFRS Standards when changes are made to contractual cash flows or hedging relationships because of the interest rate benchmark reform; and
- providing useful information to users of financial statements.

*Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020; effective date 1 January 2021); adopted by the EU in January 2021*

These amendments relate to changes to contractual cash flows, hedge accounting and disclosures.

These amendments are not expected to have a significant impact on the Group's consolidated financial statements.

*Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021)*

The amendments permit a lessee to apply the practical expedient related to COVID-19 related rent concessions to rent concessions for which any reductions in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021).

These amendments are not expected to have a significant impact on the Group's consolidated financial statements.

## 2 Summary of significant accounting policies (continued)

### 2.3 New standards, interpretations and amendments to published standards

#### **Standards and interpretations that are not yet effective and are relevant for the Group's financial statements, not adopted by the EU**

##### Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (applicable for annual periods beginning on or after 1 January 2022)

The amendments to IAS 16 require that the proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended must be recognised, together with the cost of those items, in profit or loss and that the entity must measure the cost of those items applying the measurement requirements of IAS 2.

##### Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts - Cost of Fulfilling a Contract (applicable for annual periods beginning on or after 1 January 2022)

In determining costs of fulfilling a contract, the amendments require an entity to include all costs that relate directly to a contract. Paragraph 68A clarifies that the cost of fulfilling a contract comprises both: the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

##### Amendments to IFRS 3 – Reference not the Conceptual Framework (applicable for annual periods beginning on or after 1 January 2022)

The changes in the Amendments to IFRS 3 Reference to the Conceptual Framework:

- update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;
- add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and
- add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

##### Annual Improvements to IFRS Standards 2018–2020 (applicable for annual periods beginning on or after 1 January 2022)

###### *Amendment to IFRS 9 Financial Instruments*

The improvements clarify that, when assessing whether an exchange of debt instruments between an existing borrower and lender are on terms that are substantially different, the fees to include together with the discounted present value of the cash flows under the new terms include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

###### *Amendment to Illustrative Examples accompanying IFRS 16 Leases*

The improvements remove from illustrative Example 13 accompanying IFRS 16 reference to a reimbursement by the lessor to the lessee for leasehold improvements as well as an explanation of a lessee's accounting for such reimbursement.

##### Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets, Annual Improvements 2018-2020 (All issued 14 May 2020; effective date 1 January 2022)

The package of amendments includes narrow-scope amendments to three Standards as well as the Board's Annual Improvements, which are changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards.

These amendments are not expected to have a significant impact on the Group's consolidated financial statements.

## 2 Summary of significant accounting policies (continued)

### 2.3 New standards, interpretations and amendments to published standards (continued)

#### Standards and interpretations that are not yet effective and are relevant for the Group's financial statements, not adopted by the EU (continued)

*Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (applicable for annual periods beginning on or after 1 January 2023)*

The amendments clarify that the classification of liabilities as current or non-current shall be based solely on the entity's right to defer settlement at the end of the reporting period. The entity's right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance. The classification is not affected by management's intentions or expectations about whether and when the Entity will exercise its right. The amendments also clarify the situations that are considered settlement of a liability.

*Amendments to IAS 8 – Definition of Accounting Estimate (applicable for annual periods beginning on or after 1 January 2023):*

Based on the amendment, the definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.

The Board clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

*Amendments to IAS 1 and IFRS Practice Statement 2 (applicable for the annual periods beginning on or after 1 January 2023):*

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) amends IAS 1 in the following ways:

- An entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
- several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- the amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements;
- the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information; and
- In addition, IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1.

## 2 Summary of significant accounting policies (continued)

### 2.3 New standards, interpretations and amendments to published standards (continued)

#### **Standards and interpretations that are not yet effective and are relevant for the Group's financial statements, not adopted by the EU (continued)**

##### Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current (Effective date January 2022, suggested to be postponed to January 2023)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statements of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non – current.

The Group is currently assessing potential impact of this amendment to its consolidated financial statements.

##### Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021; effective date 1 January 2023)

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. Applying the amendments, an entity discloses its material accounting policies, instead of its significant accounting policies.

These amendments are not expected to have a significant impact on the Group's consolidated financial statements.

##### Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021; effective date 1 January 2023)

These amendments define an accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty” and help entities to distinguish between accounting policies and accounting estimates.

These amendments are not expected to have a significant impact on the Group's consolidated financial statements.

##### Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

##### (Effective date postponed indefinitely)

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

The Group does not expect that the Interpretation, when initially applied, will have material impact on the financial statements for the Group.

## 2.4 Basis of consolidation

### Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Transaction cost, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within the equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

The interest of non-controlling shareholders at the date of the business combination is recorded at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

### Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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 that control commences until the date that control ceases.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies applied by the Group.

### Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## Foreign currency translation

### Foreign currency transactions

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are retranslated to the respective functional currencies of Group entities at the exchange rate valid at the reporting date; where the functional currency is Czech crowns, at the exchange rate of the Czech National Bank. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to the respective functional currencies of Group entities at the foreign exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss and presented within finance costs.

## **2.4 Basis of consolidation (continued)**

### **Foreign currency translation (continued)**

Foreign exchange differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of investment in equity securities designated as at FVOCI (except for impairment, in which case foreign currency differences recognised in other comprehensive income are reclassified to profit or loss).

A summary of the main foreign exchange rates applicable for the reporting period is presented in Note 20 – Financial Risk Management.

#### Functional and presentation currency

These financial statements are presented in Euro (EUR), which is the currency in which the Company's share capital is denominated, in accordance with the provisions of article 187 of the Companies Act, and is also the Company's functional currency. Functional currency is the Czech crown (CZK) for the majority of the project entities.

All financial information presented in EUR has been rounded to the nearest thousand except when otherwise indicated.

For the purpose of presenting these financial statements to Euro, the assets and liabilities, including goodwill and fair value adjustments arising on consolidation, are translated from functional currency into Euros at foreign exchange rate at the reporting date. The income and expenses are translated from the functional currency into Euros using an average foreign exchange rate.

Foreign exchange differences arising on translation of financial information of foreign subsidiaries are recognised in other comprehensive income and presented in the translation reserve in equity. The relevant proportion of the translation difference is allocated to non-controlling interests if applicable.

The exchange rates used for translating items from functional currency CZK (for entities with functional currency CZK) to the presentation currency EUR are as follows:

- 25.485– Closing middle rate of exchange at 30 June 2021 for statement of financial position items
- 25.854 – Average middle rate of exchange for the period from 1 January 2021 to 30 June 2021 for statement of comprehensive income items
- 26.245– Closing middle rate of exchange at 31 December 2020 for statement of financial position items
- 26.444 – Average middle rate of exchange for the year ended 31 December 2020 for statement of comprehensive income items

### **Intangible assets**

#### Software and other intangible assets

Software and other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (refer to Note 2 – Impairment of non-financial assets).

#### Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date the asset is available for use.

The estimated useful lives of intangible assets are as follows:

- Software: 3 years
- Other intangible assets: 2-5 years

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.



## **2.4 Basis of consolidation (continued)**

### **Investment property**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Dual-use property is classified as investment property only if the portion of the property held for own use is insignificant. The assessment is carried out on property-by-property basis with reference to value and usable floor space.

The change in the fair value of investment property is recognized in the operating result section of the consolidated statement of comprehensive income.

Fair value of investment property as at 30 June 2021 was assessed by the Group's management. The assessment is included in these consolidated financial statements (refer to Note 4 - Critical accounting estimates and judgments). Valuation made in 2020 by external independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, was also used as a base for the internal valuation.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

When the use of a property changes such that it is reclassified as trading property for development or trading property - finished projects, its fair value at the date of reclassification becomes its cost for subsequent accounting.

### **Leasing**

#### **The Group as a lessor**

A lessor classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership of the underlying asset. In other cases, it is an operating lease.

#### Operating leases

The Group recognises lease payments received and receivable under operating leases as income on a straight-line basis over the lease term. Incentives granted to the lessee in negotiation of a new or renewed operating lease are recognized as an integral part of the net consideration agreed for the use of the asset. They are recognized as a reduction of the rental income over the lease term on a straight- line basis.

#### **Financial assets**

On initial recognition, a financial asset is classified as measured at: amortised cost; debt investments measured as fair value through other comprehensive income (FVOCI), equity investments measured as FVOCI; or financial assets measured as fair value through profit and loss (FVTPL). The classification depends on the purpose for which the financial assets were acquired.

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

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets 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.

## 2.4 Basis of consolidation (continued)

### Financial assets (continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; 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.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

#### Financial assets – Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial asset to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the asset;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for its purpose, consistent with the Group's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

#### Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

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

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

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

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

## 2.4 Basis of consolidation (continued)

### Financial assets (continued)

#### Recognition

Trade receivables and debt securities acquired are initially recognised in the statement of financial position when they are originated. All other financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

#### Measurement

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost are subsequently measured at amortised cost using effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt instruments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

#### a) *Fair value measurement*

The accounting policy relating to fair value measurement is disclosed in Note 3 of these consolidated financial statements.

#### b) *Amortised cost measurement principles*

The amortised cost of a financial asset or liability is the amount in which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, net of any impairment losses.

#### c) *Gains and losses on subsequent measurement*

Gains and losses on financial instruments classified at fair value through profit or loss including interest and dividend income are recognised in profit or loss. Debt investments at FVOCI are subsequently measured at fair value, interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gain and losses accumulated in OCI are reclassified to profit or loss. Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss. For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised or impaired, and through the amortisation process.

#### Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

## **2.4 Basis of consolidation (continued)**

### **Financial assets (continued)**

#### Offsetting

Financial assets and liabilities are off set and the net amount presented in the statement of financial position when there is a currently legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

#### **Trade and other receivables**

Trade receivables are recognised initially at the transaction price and are subsequently measured at amortised cost using the effective interest rate method. Trade and other receivables are stated after deducting the appropriate allowances for any impairment of these consolidated financial statements.

#### **Derivative financial instruments**

The Group uses derivative financial instruments to manage its foreign exchange risk exposures.

Derivatives are recognised initially at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss within finance income/loss.

#### **Cash and cash equivalents; restricted cash**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other current highly liquid investments with original maturities of three months or less. Bank overdrafts are shown in current liabilities on the consolidated statement of financial position.

The Group holds restricted bank accounts containing deposit for settlement of foreign exchange swap, specified rental payments and other deposits (Note 8) and these are presented on a separate line of the financial statements.

#### **Share capital and reserves**

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

#### Ordinary shares

Ordinary shares are stated at their par value. Consideration received for the shares sold in excess over their par value is shown as share premium. Incremental external costs directly attributable to the issue of new shares are accounted for as a deduction from share premium.

#### Other reserves

Other reserves are established upon the decision of annual general meeting of shareholders on profit appropriation. These reserves can be used only for the purposes approved by the annual general meeting of shareholders.

#### Dividends

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting date and before the financial statements are authorised for issue are disclosed in the Subsequent events note.

#### Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations of the Group and translation of the consolidated financial statements to presentation currency.

## **2.4 Basis of consolidation (continued)**

### **Financial liabilities**

#### Loans and borrowings; bonds issued

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest rate method.

Borrowing costs for financing the development projects are capitalized in the costs of investment property (Note 2 – Investment property). Other borrowing costs are expensed directly to the consolidated statement of comprehensive income as incurred.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Loans and borrowings to be settled within the regular operating cycle of the Group are classified as current liabilities.

#### Trade payables and other liabilities

Trade payables and other liabilities are recognised initially at fair value, net of transaction costs incurred. Trade payables and other liabilities are subsequently measured at amortised cost using the effective interest rate method.

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

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when it is replaced by another from the same lender on substantially different terms or its terms are substantially modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

### **Impairment**

#### Non-financial assets

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

The carrying amounts of the Group's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

## 2.4 Basis of consolidation (continued)

### Impairment (continued)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### Financial assets

#### Staging

The Group applies simplified approach for impairment of trade and lease receivable. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on days past due. The expected loss rates are based on the payment profiles of customers over a period of 36 month before each balance sheet date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Currently, due to a limited size of the trade receivables portfolio and its limited credit history, the loss rates are based on an expert judgment. The credit loss allowance for trade receivables is determined according to provision matrix presented in Note 12.

For other financial assets the Group applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity, if any ("Lifetime ECL"). Refer below for a description of how the Group determines when a SICR has occurred. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Group's definition of credit-impaired assets and definition of default is explained below. The ECLs are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the counterparties to settle the receivables. The Group periodically reviews the development of major macroeconomic indicators (GDP growth, unemployment, property price index, default rates) and assesses the impact of the changes on the credit quality of receivables, e.g. in case the majority of monitored indicators shows an expectation of an economic downturn, the Group downshifts the implied credit ratings. For trade receivables, the Group generally expects forward-looking information will not have an impact on the credit quality due to generally short maturity.

#### Significant increase in credit risk

The assessment whether or not there has been a significant increase in credit risk ("SICR") since initial recognition is performed on an individual basis by monitoring the triggers stated below. The presumption, being that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has not been rebutted.

Significant increase in credit risk is not assessed for financial assets whose credit risk is considered to be low, applying the low credit risk exemption for investment grade financial assets. These are mainly considered to be cash & cash equivalents and receivables from banks, since these assets represent short-term exposures towards investment grade-rated counterparties.

## 2.4 Basis of consolidation (continued)

### Impairment (continued)

The Group considers a financial instrument to have experienced a SICR when one or more of the following quantitative, qualitative or backstop criteria have been met:

- 30 days past due;
- Significant change in external or intercompany financing costs;
- Available qualitative information, such as an assessment of the state of the underlying project of the financed entity, financial analysis and comparison of the project performance as at reporting date to the initial plan, suggests significant financial or operational difficulties of the borrower

The level of ECL that is recognised in these consolidated financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition. This is a three-stage model for ECL measurement. A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income.

If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1.

#### Credit-impaired financial assets and Default

The Group considers a financial asset to be credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- 90 days past due;
- significant financial difficulty of the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The Group considers a financial asset to be defaulted if at any point it fulfils the definition of being credit-impaired.

#### Credit risk grading system

For measuring credit risk and grading financial instruments by the amount of credit risk, the Group applies an approach based on risk grades estimated by external international rating agencies (Moody's). External credit ratings are mapped on an internally defined master scale, implied by the borrowing rate and corresponding average yields of externally rated debt securities, with a specified range of probabilities of default as disclosed in the table below:

## 2.4 Basis of consolidation (continued)

### Impairment (continued)

Master scale credit risk grade	Corresponding ratings of external international rating agencies (Moody's)	Corresponding PD interval	Corresponding Stage
Excellent	AAA to BA1	0.01% – 0.5%	Stage 1 or 2
Good	BA2 to B1	0.51% – 3%	Stage 1 or 2
Satisfactory	B2, B3	3% – 10%	Stage 1 or 2
Special monitoring	CAA1 to CA	10% – 99.9%	Stage 1 or 2
Default	C, D	100%	Stage 3

Each master scale credit risk grade is assigned a specific degree of creditworthiness:

- Excellent – strong credit quality with low expected credit risk;
- Good – adequate credit quality with a moderate credit risk;
- Satisfactory – moderate credit quality with a satisfactory credit risk;
- Special monitoring – facilities that require closer monitoring and remedial management; and
- Default – facilities in which a default has occurred.

The rating models are regularly reviewed by the credit risk specialists, backtested on actual default data and updated, if necessary. Regardless of the method used, the Group regularly validates the accuracy of ratings estimates and appraises the predictive power of the models

### Current and deferred income tax

Income taxes comprise current and deferred tax. Income taxes are recognised in profit or loss, except to the extent that they relate to a business combination or to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the reporting period and any adjustment to tax payable in respect of previous years. The current income tax charge is calculated on the basis of the laws enacted or substantively enacted at the reporting date in the countries where the company'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.

Current tax, to the extent unpaid, is recognized as income tax liability. If the amount already paid for income taxes exceeds the amount due, the excess is recognised as a current asset.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, 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 or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax asset is primarily recognised from tax losses carried forward. When the utilisation of the tax loss is not probable, the deferred tax asset is not recognised. According to Czech income tax law, tax losses carried forward could be used within a maximum period of five consequent years from its origination. The Group recognised a deferred tax asset from tax losses in subsidiaries for which it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and deferred tax liabilities are offset, if a current legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.



## **2.4 Basis of consolidation (continued)**

### **Revenue recognition**

Revenue is income arising in the course of the Group's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminated sales within the Group. Revenues are recognised on an accrual basis, i.e. in the period to which they relate in terms of substance and timing.

The Group generates primarily income from the rental of properties (over period of time).

The Group made judgments that significantly affected the timing of satisfaction of performance obligation and the transaction price. The most significant judgments made by the Group related to the determination of the timing of revenue from services provided. The Group concluded that such revenue is recognized over time since the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. If another entity were to fulfil the remaining performance obligation to the customer it would not need to substantially reperform the work that the Group has completed to date.

#### Rental income from leases

Rental income from leases of plots which are to be developed and sold in the future is recognised as income on a straight-line basis over the lease term. When the Group provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Rental and lease income also includes tenant payments for utilities and service charges if the services have been provided. For certain operating costs, the Group qualifies as an agent under IFRS 15. The operating costs of electricity, water, heat and gas, for which the Group operates as an agent, are recognized on a net basis. The other operating costs are recognized on a gross basis.

For all investment property leases, the rental income is fixed under the contracts, but some leases require the lessee to reimburse the insurance costs of the Group. When this is the case, the amounts of insurance costs are determined annually.

### **Finance income and finance expense**

#### Finance income

Finance income comprises interest income on funds invested, foreign currency gains and other finance income.

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

#### Finance expense

Finance expense comprises interest expense on loans and borrowings and bonds issued, foreign currency losses and other finance expenses.

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

### **Subsequent events**

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

### **Classification of assets and liabilities**

Assets and liabilities to be settled within the regular operating cycle of the Group are classified as current.

### **Comparative financial information**

For the statement of comprehensive income, for the statement of changes in equity, for the cash flow statement and for the related disclosure tables in Notes, the comparative information includes data for the period from 3 July 2019 to 31 December 2020 disclosed in the audited financial statements of the Company as at 31 December 2020. The Group chooses this disclosure as the Group was formed only in January 2021 and the operations before 30 June 2020 were insignificant and are therefore not comparable to the current operations of the Group.

### 3 Determination of fair values and accounting classification

The Group applies IFRS 13 as a source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It also requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Inputs for the asset or liability that are not based on observable market data (level 3).

For valuation of investment property, which is measured at fair value, the Group uses level 3 of fair value measurement hierarchy.

For valuation of derivative financial instruments, the Group uses level 2 of fair value measurement hierarchy.

Fair values of financial assets and liabilities not measured at fair value are determined using level 3 of fair value measurement hierarchy (except for cash in hand at Level 1, cash at banks and restricted cash at Level 2).

There were no transfers between levels of fair value measurement hierarchy during the year.

Valuation techniques and significant unobservable inputs used for measurement of fair value for Investment Property are described in Note 4. For derivatives and other financial assets and liabilities, fair value is measured using the discounted cash flows method, whereby the contractual cash flows are discounted by the market discount rate prevailing as at the reporting date, adjusted for relevant risks (such as credit spread and liquidity adjustment for loans) if applicable. Carrying values of financial assets and liabilities not measured at fair value are a reasonable approximation of their fair value and therefore are not shown separately in the notes to these consolidated financial statements.

### 4 Critical accounting estimates and judgements

#### Use of estimates and judgements

Preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience, internal calculations and various other factors that the management believes to be reasonable under the circumstances, the results of which form the basis of judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognised in the period in which the change in estimate is made and in any future periods affected.

Management of the Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### Investment property

Development of investment property and sensitivity analysis is included in Note 6.

The valuation of the Group's property portfolio is inherently subjective due to, among other factors the individual nature of each property, its location and the expected future rental revenues from the particular property. As a result, the valuation the Group places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow of the property market.

The fair values of investment properties at 30 June 2021 was determined by the Group's management.

#### Summary of projects as at 30 June 2021

Project	Group company
Savarin Development	Palace Savarin, s.r.o.
Project Savarin	WELWYN COMPANY, a.s

## 4 Critical accounting estimates and judgements (continued)

### Investment property (continued)

#### Valuation methods

Property under development and property planned to be re-developed completely was valued with the use of the residual analysis method. Residual analysis determines a price that could be paid for the site given the expected "as if complete" value of the proposed development and the total cost of the proposed development, allowing for market level profit margins and having due regard to the known characteristics of the property and the inherent risk involved in development.

The residual value is the surplus after total costs including constructions, fees, contingency, ancillary costs, legal/agency and professional fees, finance costs and developer's profit are deducted from an estimate of the gross development value upon completion. The gross development value (being estimated value that a property would fetch on the open market if it were to be sold in the current economic climate) includes all of the separate areas that comprise the entire development including commercial areas (office, retail areas; garages and parking; and other areas). This surplus or residual value represents the amount that a purchaser would be willing to pay for the site. The level of profit reasonably required by a developer (developer's margin) will diminish as each stage is passed and the risk associated in realising the value of completed development is reduced. The process can be simply expressed as follows:

GDV – Total Development Costs = Residual Market Value of the site

#### COVID – 19 impact

The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on the 11<sup>th</sup> March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement and operational restrictions have been implemented by many countries. In some cases, lockdowns have been applied to varying degrees and to reflect further waves of COVID-19, although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact.

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. The response to COVID 19 means that unprecedented set of circumstances on which to base a judgment are faced with.

#### Investment property description

Palace Savarin and Project Savarin are situated in the city district Prague 1 and occupies a central and strategic location in the very heart of Prague town centre. The surrounding area is mixed use in nature comprising mainly prime retail along with numerous offices, hotels and residential accommodation. Both projects have access points off Wenceslas Square, Na Příkopě Street, Panská Street and Jindřišská Street.

The property is strategically located and benefits from excellent communication and public transport facilities. Considering the intended development, the property will be accessible from four directions. Public transport includes numerous tram lines and metro lines A and B.

The site is cross shape with entry points off the four streets. The current accommodation comprises brick built historical buildings adjacent to the street fronts with protected facades except for that of Darex Building. The inner courtyard comprises partly of courts and partly of modern annexes to historical buildings from 20th century. Decision of the removal of buildings located in the inner courtyard has been already issued and subsequent demolition has been partially executed. There is a historical classicists riding hall located inside the courtyard which is culturally protected.

The existing property comprises of six mixed use buildings. Darex Building comprises Grade A accommodation while other buildings comprise generally Grade B office accommodation. Each building has office accommodation located on the ground floor. The internal accommodation varies in standard and provides variety of uses, ranging from office space, retail accommodation, bar and restaurant usage and sport facilities.

The future development consists of the construction of a new commercial administrative area in the shape of cross that requires construction of the passages connecting the streets Na Příkopě, V Cípu, Jindřišská and Wenceslas Square all leading to one point in the courtyard are near the former riding hall which will serve as the transport and communication node.

## **4 Critical accounting estimates and judgements (continued)**

### **Investment property (continued)**

#### **Investment property description (continued)**

The future development will provide total lettable area extending 55,024 sqm. One part of the development in the form of Palace Savarin will offer 3,577 sqm including 610 sqm of external seating and terrace. The second part, Project Savarin will provide 51,447 sqm including 4,147 sqm of external seating and terraces. The premises will be predominantly used as a retail and office area. There will be also 120 car parking spaces.

#### **Assumption used in final management estimates**

It was assumed that Palace Savarin will be completed in 2023 and Project Savarin in 2025.

#### **Rental evidence**

There is a number of similar available projects in the analysed district to the subject of valuation which shows similar evidence as that produced in the property valued. Similar office building projects include property Myslbek, Palladium, Slovanský Dům, Quadrio, Palác Euro – Astra, Stará Celnice, Palác Špork where rent for signed deals approximated 15.9 – 24.8 EUR per sqm. Similar retail buildings projects include property located in Náměstí Republiky, Jungmannovo náměstí, Na Příkopě street, 28. října street, Můstek, Jindřišská and Panská where rent for recently signed deals approximated 26 – 160 EUR per sqm.

Based on current market conditions, analysis of above mentioned offers and letting transactions that have been concluded and the nature of the property, the office rental was estimated at 22 and 21 EUR per sqm for Palace Savarin and Project Savarin. Retail rental was estimated at 110 and 44 EUR per sqm for Palace Savarin and Project Savarin.

#### **Estimate of costs and developer's margin**

Development costs included in fair value computations are based on budgets of project companies that represent expected costs incurred comparable to market standards. Hard construction costs were estimated as 3,160 EUR per sqm and 3,120 EUR per sqm for Palace Savarin and Project Savarin, respectively. Contingency of 3% of hard construction costs creates part of development costs together with professional fees in the approximate amount of 11% of total hard constructions costs and contingency. The marketing and letting fees were estimated at 10 and 15% from NOI. As a result, development costs amount to approximately 19 % and 45% of gross development value. for Palace Savarin and Project Savarin, respectively.

Developer's margin represents 15 and 22.5% of total pending costs for Palace Savarin and Project Savarin, respectively. It depends on the stage of the project. The level of profit reasonably required by a developer (developer's margin) is diminishing as each stage is passed and the risk associated in realising the value of completed development is reduced.

Financing costs were estimated 2.75 %. This is current best estimate of market lending rates of this type of development.

#### **Yield**

Yield in range of 4 – 4.5 % was used for investment property project, depending on current market condition, location and specification of the property.

Comparable projects in Prague – Palác Špork, DRN, Prague Studios, Rustonka and Florence Office Centre – provides a yield in range 4 – 5%.

## 5 Changes in the Group structure

In January 2021, the Group entered into contracts to acquire control in WELWYN COMPANY, a.s. and Palace Savarin, s.r.o., through acquisition of shares in Savarin HoldCo, s.r.o. and Palace Savarin HoldCo, s.r.o. from CRESTYL SAVARIN Ltd.

This transaction was assessed as acquisition of group of assets and liabilities and its impact can be summarized as follows:

	TEUR
Investment property	166,672
Intangible assets	16
Trade and other receivables	1,438
Current income tax receivable	63
Restricted cash	1,039
Prepayments	1,696
Cash and cash equivalents	4,771
Bank Loans	(83,442)
Loans from shareholder	(76,900)
Deferred tax liabilities	(13,668)
Advances received	(720)
Deferred revenues	(2)
Trade and other payables	(961)
<b>Net identifiable assets and liabilities</b>	<b>2</b>
Consideration, paid in cash	<b>(2)</b>
Total consideration paid	<b>(2)</b>
Cash acquired	4,771
<b>Net cash outflow</b>	<b>4,769</b>

In addition, Savarin P.L.C. was assigned the amounts receivable by CRESTYL SAVARIN Ltd from Savarin HoldCo, s.r.o. and Palace Savarin HoldCo, s.r.o. in the amount of EUR 76,900 thousand for a consideration of EUR 51,155 thousand. As a result, the Group realized profit of EUR 25,745 thousand (refer to Note 14 Revenues and Other operating income) and recognized related deferred tax effect (refer to Note 13 Deferred tax liability).

This transaction was financed by the public bonds issue by Savarin P.L.C. in the Czech Republic in January 2021. Nominal value of bonds amounted to CZK 2,200,000 thousand (corresponding to EUR 84,001 thousand) while proceeds from the issuance of these bonds amounted to EUR 59,882 thousand (corresponding to CZK 1,568,336 thousand) without transaction cost related to issue of bonds (refer to Note 10 Bonds issued).

## 6 Investment property

	30/6/2021	31/12/2020
<b><u>Investment property – combined purpose</u></b>		
<b>Balance at 1 January</b>	--	--
Additions - construction cost	338	--
Additions - capitalized interest (Note 16)	461	--
Additions - acquisition	166,672	--
Change in fair value	15,380	--
• <i>Out of which change related to valuation in EUR</i>	--	--
Effects of movements in foreign exchange rates recorded in other comprehensive income	4,771	--
<b>Balance at 30 June 2021 / 31 December 2020</b>	<b>187,622</b>	<b>--</b>

Change in fair value charged to profit or loss could be summarized as follows:

Entity	For the period from 1 January to 30 June 2021	For the period from 3 July 2019 to 31 December 2020
WELWYN COMPANY, a.s.	11,856	--
Palace Savarin, s.r.o.	3,524	--
<b>Total</b>	<b>15,380</b>	<b>--</b>

Impact of currency changes related to valuation reports prepared for the below listed properties in EUR and translated to the functional currencies of the respective entities included in the fair value changes:

Entity	For the period from 1 January to 30 June 2021	For the period from 3 July 2019 to 31 December 2020
WELWYN COMPANY, a.s.	--	--
Palace Savarin, s.r.o.	--	--
<b>Total</b>	<b>--</b>	<b>--</b>

Assumptions used for determination of fair value of investment property and description of the property are stated in Note 4.

### **Sensitivity analysis**

#### **Sensitivity analysis – investment property – combined purpose**

At 30 June 2021, an increase or decrease in future construction costs by 10% would have resulted in fair values of investment property shown in the table below. This analysis assumes that all other variables remain constant.

Construction costs as at 30/06/2021		
(10%)	0%	10%
205,065	187,622	170,297

At 30 June 2021, an increase or decrease in Allowance for Developer's margin by 10% would have resulted in fair values of investment property shown in the table below. This analysis assumes that all other variables remain constant.

## 6 Investment property (continued)

### *Sensitivity analysis (continued)*

Developer's margin as at 30/06/2021		
(10%)	0%	10%
195,047	187,622	180,573

At 30 June 2021, an increase or decrease in equivalent yield by 25 bp would have resulted in fair values of investment property shown in the table below. This analysis assumes that all other variables remain constant.

Equivalent yield as at 30/06/2021		
(25) bp	0 bp	25 bp
212,554	187,622	165,485

At 30 June 2021 and 31 December 2020, an increase or decrease in expected rental value by 2.50% would have resulted in fair values of investment property shown in the table below. This analysis assumes that all other variables remain constant.

Expected rental value as at 30/06/2021		
(2.50%)	0%	2.50%
177,497	187,622	197,866

## 7 Trade and other receivables; prepayments

### a) Trade and other receivables

	30/06/2021	31/12/2020
<b>Financial assets</b>		
Trade receivables	1,034	9
Accrued income	270	--
Other receivables	--	91
<b>Subtotal financial assets</b>	<b>1,304</b>	<b>100</b>
<b>Non-financial assets</b>		
Value added tax receivables	6	--
Notarial deposits	392	--
<b>Subtotal non-financial assets</b>	<b>398</b>	<b>--</b>
<b>Total</b>	<b>1,702</b>	<b>100</b>
Current	1,702	100
<b>Total</b>	<b>1,702</b>	<b>100</b>

## 7 Trade and other receivables; prepayments (continued)

Trade receivables comprise trade receivables due from related parties of EUR 0 thousand (31 December 2020: EUR 100 thousand); refer also to Note 19 Related parties.

Trade receivables are shown net of impairment loss allowance of EUR 180 thousand (31 December 2020: EUR 0 thousand) and other receivables are shown net of impairment loss allowance of EUR 0 thousand (31 December 2020: EUR 1 thousand).

As at 30 June 2021, trade receivables comprise receivable due from tenant (net carrying value of EUR 528 thousand) secured by two bills of exchange in total amount of EUR 106 thousand issued by the chairman of the board of directors of the debtor.

As trade and other receivables are short-term in nature there is no significant difference between their fair value and carrying value.

Financial assets disclosed within Trade and other receivables can be analysed as follows:

30 June 2021	Gross carrying amount	Loss allowance	Expected credit loss rate
Current (not past due)	33	--	0.10%
1-30 days past due	136	(1)	1.00%
31-90 days past due	297	(3)	1.00%
91-180 days past due	474	(24)	5.00%
181-360 days past due	243	(121)	50.00%
More than 360 days past due	31	(31)	100.00%
<b>Total</b>	<b>1,214</b>	<b>(180)</b>	<b>14.83%</b>

31 December 2020	Gross carrying amount	Loss allowance	Expected credit loss rate
Current (not past due)	9	--	0.10%
1-30 days past due	--	--	1.00%
31-90 days past due	92	(1)	1.00%
91-180 days past due	--	--	5.00%
181-360 days past due	--	--	50.00%
More than 360 days past due	--	--	100.00%
<b>Total</b>	<b>101</b>	<b>(1)</b>	<b>1.00%</b>

### b) Prepayments

	30/06/2021	31/12/2020
Advances paid	956	--
Prepaid expenses	835	202
<b>Total</b>	<b>1,791</b>	<b>202</b>
Current	951	202
Non-current	840	--
<b>Total</b>	<b>1,791</b>	<b>202</b>

Prepayments include primarily prepaid legal, marketing, insurance and similar expenses. Non-current advance was paid to related party (refer also to Note 19 Related parties).

Selected trade receivables and prepayments are subject of bank collateral (refer to Note 11 Loans and borrowings and Note 18 Contingencies and commitments).



## 8 Cash and cash equivalents; restricted cash

### a) Cash and cash equivalents

	30/06/2021	31/12/2020
Bank accounts	8,230	--
Petty cash	--	--
<b>Cash and cash equivalents in the statement of financial position</b>	<b>8,230</b>	<b>--</b>
Bank overdrafts	--	--
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>8,230</b>	<b>--</b>

### b) Restricted cash

	30/06/2021	31/12/2020
Bank accounts with restricted access – current	--	--
Bank accounts with restricted access – non – current	1,582	--
<b>Restricted cash</b>	<b>1,582</b>	<b>--</b>

Bank accounts with restricted access relates to deposit for settlement of foreign exchange swap and restricted bank accounts used only for coverage of the interest and repayments of principal of loans in accordance with agreements with financing banks. The sole purpose and use of the bank accounts with restricted access is specified in bond prospectus and in respective loan agreements. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was zero, as the deposits are placed at banks with an external credit rating associated with generally nil implied probability of default. For further information about analysis of credit risk refer to Note 20 Financial Risk Management.

Selected bank accounts and restricted cash are subject of bank collateral and bond collateral (refer to Note 10 Bonds issued, Note 11 Loans and borrowings and Note 18 Contingencies and commitments).

## 9 Equity

Equity as at 30 June 2021 and 31 December 2020

	30/06/2021 and 31/12/2020			
	Share	Number of shares*	Par value of shares in EUR	Share class
Savarin Holdco Limited	99.998%	49,999	49,999	A
Crestyl Finco Development Limited	0.002%	1	1	B
<b>Total</b>		<b>50,000</b>	<b>50,000</b>	

\* fully paid

All ordinary shares in the Company, irrespective of the letter by which they are denominated, shall rank equally in all respects subject that the B ordinary shares will not be entitled to a vote in the general meetings, shall not carry any dividend entitlements and shall not be entitled to any surplus of assets of the Company on a winding up but shall have a prior claim over the holder/s of the Ordinary A shares for the return of the nominal value of the said Ordinary B shares.

Authorised and issued ordinary share capital per class as at 30 June 2021 and 31 December 2020 (number of shares at €1 each):

	<u>Authorized</u>	<u>Issued</u>
Ordinary A	49,999	49,999
Ordinary B	1	1
	<u>50,000</u>	<u>50,000</u>

Ownership interest in the Company has been pledged in favour of third parties (refer and to Note 10. Bonds issued and to Note 18. Contingencies and commitments).

## 10 Bonds issued

	30/06/2021	31/12/2020
Nominal value of bonds issued	84,001	--
Initial discount	(24,119)	--
Transaction cost related to issue of bonds	(1,786)	--
Accrued interest	2,041	--
Effect of movements in foreign exchange rates	1,629	--
<b>Total</b>	<b>61,766</b>	<b>--</b>

On January 12, 2021 the bonds having a nominal value of CZK 2,200,000 thousand (corresponding to EUR 84,001 thousand) were issued for a 5-year-term for 71.288 % of par value. The maturity of the bonds is January 12, 2026. The calculated effective interest rate for bonds issued amounts to 7.28 %.

The proceeds from the issuance of these bonds amounted to EUR 59,882 thousand (corresponding to CZK 1,568,336 thousand) without transaction cost related to issue of bonds (EUR 58,096 thousand including transaction cost related to the issue of bonds) and were used as the consideration for the assignment of receivables transferred together with the ownership interests in the underlying investments (refer to Note 5 Changes in the Group structure).

The bonds were accepted to trading on the Prague stock-exchange (Rybná 14/682, Prague, Czech Republic) on January 12, 2021. No rating was assigned.

As at 30 June 2021, there was no breach of bonds covenant conditions.

Bonds are secured by pledges of assets and by pledge of ownership interest in Savarin P.L.C. Summary of pledged assets as at 30 June 2021 is provided in the Note 18 Contingencies and commitments. Bonds issued are secured also by foreign exchange swap whose fair value amounted to EUR (1,376) thousand as at 30 June 2021 (refer also to Note 20 Financial risk management). Foreign exchange swap is used to reduce the currency risk related to bonds issued in CZK and therefore exposed to foreign exchange fluctuations. However, the derivative financial instrument is not designated as used for hedging.

## 11 Loans and borrowings

	30/06/2021	31/12/2020
Bank loans and borrowings – non-current	83,422	--
Bank loans and borrowings – current	1,010	--
<b>Total current and non-current bank loans and borrowings</b>	<b>84,432</b>	<b>--</b>

As at 30 June 2021 and as at 31 December 2020, the Group had no undrawn bank borrowing facilities.

The weighted average interest rate for all loans and borrowings for the six months ended 30 June 2021 was 4.64 %.

Bank loans and borrowings are secured by pledges of assets and by pledges of ownership interests in subsidiaries. Summary of pledged assets as at 30 June 2021 is provided in the Note 18 Contingencies and commitments.

The Group considers pledged all assets of companies in the Group whose shares are pledged (refer to Note 22 Group). Further, selected loans are secured by future receivables from lease contracts, blank bill of exchange, notarial deed and loan subordination.

As at 30 June 2021, there was no breach of bank loans covenant conditions.

Terms and conditions of outstanding bank loans and borrowings as at 30 June 2021 were as follows:

	Currency	Nominal interest rate	Balance at 30/06/2021	Due within 1 year	Due in 1–5 years
Secured bank loan	EUR	variable	50,002	--	50,002
Secured bank loan	EUR	variable	19,679	667	19,012
Secured bank loan	EUR	variable	14,751	343	14,408
<b>Total bank loans and borrowings</b>			<b>84,432</b>	<b>1,010</b>	<b>83,422</b>

\* Variable interest rate is derived as EURIBOR plus a margin. All interest rates are market based.

## 11 Loans and borrowings (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities for the period from 1 January to 30 June 2021

	Loans and borrowings	Bonds issued	Restricted cash	Equity	Total
Balance at 1 January 2021	--	--	--	(64)	(64)
<b>Changes from financing cash flows</b>					
Drawings of loans and borrowings	--	--	--	--	--
Repayments of loans and borrowings	(477)	--	--	--	(477)
Proceeds from bonds issued	--	58,132	--	--	58,132
Change in cash held on restricted bank accounts	--	--	(543)	--	(543)
Interest paid	(389)	--	--	--	(389)
<b>Total changes from financing cash flows</b>	<b>(866)</b>	<b>58,132</b>	<b>(543)</b>	<b>--</b>	<b>56,723</b>
<b>Changes arising from obtaining or losing control of subsidiaries or other businesses</b>	<b>83,442</b>	<b>--</b>	<b>(1,039)</b>	<b>--</b>	<b>82,403</b>
<b>The effect of changes in foreign exchange rates</b>	<b>(72)</b>	<b>1,593</b>	<b>--</b>	<b>993</b>	<b>2,514</b>
<b>Other changes</b>					
Interest expense	1,813	2,041	--	--	3,854
Interest recorded to investment property	461	--	--	--	461
Interest recorded to investment property – paid	(346)	--	--	--	(346)
<b>Total liability-related other changes</b>	<b>1,928</b>	<b>2,041</b>	<b>--</b>	<b>--</b>	<b>3,969</b>
<b>Total equity-related other changes</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>33,572</b>	<b>33,572</b>
<b>Balance at 30 June 2021</b>	<b>84,432</b>	<b>61,766</b>	<b>(1,582)</b>	<b>34,501</b>	<b>179,117</b>

## 12 Trade payables and other liabilities; advances received

### a) Trade payables and other liabilities

	30/06/2021	31/12/2020
<b>Financial liabilities</b>		
Trade payables	326	121
Accrued expenses	72	226
Other payables	2	--
<b>Subtotal financial liabilities</b>	<b>400</b>	<b>347</b>
<b>Non-financial liabilities</b>		
VAT payables	12	19
Other tax payables	5	--
<b>Subtotal non-financial liabilities</b>	<b>17</b>	<b>19</b>
Current	417	366
Non-current	--	--
<b>Total</b>	<b>417</b>	<b>366</b>

Trade payables are generally to be settled within one year. Trade payables comprise trade payables due to related parties of EUR 268 thousand (2020: EUR 79 thousand); refer also to Note 19 Related parties.

## 12 Trade payables and other liabilities; advances received (continued)

### b) Advances received

	30/06/2021	31/12/2020
Other advances received (1)	465	--
<b>Total</b>	<b>465</b>	<b>--</b>
Current	103	--
Non-current	362	--
<b>Total</b>	<b>465</b>	<b>--</b>

1) Other advances received relate mainly to rentals.

Advances received comprise advances received from related parties of EUR 3 thousand (2020: EUR 0 thousand); refer also to Note 19 Related parties.

## 13 Deferred tax liability

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

The recognised deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	30/06/2021	31/12/2020	30/06/2021	31/12/2020	30/06/2021	31/12/2020
Investment property	--	--	(13,439)	--	(13,439)	--
Trade and other receivables	12	--	--	--	12	--
Other items	--	--	(4,892)	--	(4,892)	--
Tax losses carried-forward	271	--	--	--	271	--
<b>Tax assets / (liabilities)</b>	<b>283</b>	<b>--</b>	<b>(18,331)</b>	<b>--</b>	<b>(18,048)</b>	<b>--</b>
Set-off of tax	(283)	--	283	--	--	--
<b>Net tax assets / (liabilities)</b>	<b>--</b>	<b>--</b>	<b>(18,048)</b>	<b>--</b>	<b>(18,048)</b>	<b>--</b>

Deferred tax on other items resulted from the difference between the nominal values of liabilities disclosed by Savarin HoldCo, s.r.o. and Palace Savarin HoldCo, s.r.o. (in total amount of EUR 76,900 thousand) and their acquisition price of EUR 51,155 thousand recognized by Savarin P.L.C. (refer also to Note 14 Revenues and other operating income).

The deferred taxes from non-current assets and other items in the table above are expected to reverse more than twelve months after the end of the reporting period.

Movements in temporary differences during the period were as follows:

	Balance at	Recognized in	Acquired through	Effect of	Balance at
	31/12/2020	profit or loss	acquisition of	movements in	30/06/2021
		(Note 17)	group of	foreign	
			assets and	exchange rate	
			liabilities		
			(Note 5)		
Investment property	--	1,030	(14,101)	(368)	(13,439)
Trade and other receivables	--	8	4	--	12
Other items	--	(4,892)	--	--	(4,892)
Tax losses carried-forward	--	(167)	429	9	271
<b>Total</b>	<b>--</b>	<b>(4,021)</b>	<b>(13,668)</b>	<b>(359)</b>	<b>(18,048)</b>

### 13 Deferred tax liability (continued)

The unrecognized deferred tax assets are attributable to the following:

	30/06/2021	31/12/2020
Impairment of trade and other receivables	23	--
Tax losses carried forward	8	--
<b>Unrecognized deferred tax assets</b>	<b>31</b>	<b>--</b>

A deferred tax asset from tax losses arising in certain subsidiaries was not recognized due to uncertainty of its utilisation in the future as under Czech tax law there is no ability to transfer tax losses between companies within a Group.

Specification of unrecognized deferred tax assets (DTA) resulting from tax losses carried-forward:

30/06/2021	Losses expire in year	Amount of tax loss	Percentage income tax %	Unrecognised DTA 31/06/2021
Year 2019	2024	1	19.00%	--
Year 2020	2025	44	19.00%	8
Year 2021	2026	--	19.00%	--
<b>Total</b>		<b>45</b>		<b>8</b>

### 14 Revenues and other operating income

#### a) Revenues

	For the period from 1 January to 30 June 2021	For the period from 3 July 2019 to 31 December 2020
Rental revenues	1,212	--
<b>Total revenue</b>	<b>1,212</b>	<b>--</b>
Other operating income	26,957	67

Revenues of the Group are generated in the Czech Republic.

In the six months ended 30 June 2021, rental revenues were generated by investment property of WELWYN COMPANY, a.s. and Palace Savarin, s.r.o.

Rental income from leases is billed monthly and amount is due at 14<sup>th</sup> day of the months, at latest.

Revenues related to tenant payments for utilities and service charges are calculated on the basis of costs incurred and correspond to contractually agreed transaction price. Advance payments are due on 14<sup>th</sup> day of the month, at latest. Revenues are recognized related to the time period over the month. In the subsequent year, the advance payments made for operating costs are offset against actually incurred values.

Other operating income comprise mainly EUR 25,745 thousand resulting from the assignment of receivables in the amount of EUR 76,900 thousand due from Savarin HoldCo, s.r.o. and Palace Savarin HoldCo, s.r.o. by CRESTYL SAVARIN Ltd to Savarin P.L.C. for a consideration of EUR 51,155 thousand.

#### b) Contract assets, contract liabilities and performance obligation

The Group does not have any material contract assets, contract liabilities and performance obligation as at 30 June 2021 and 31 December 2020.

## 15 Other operating expenses

	For the period from 1 January to 30 June 2021	For the period from 3 July 2019 to 31 December 2020
Office expenses and other miscellaneous items	2	1
Utilities and exploration expenses	151	--
Audit and consulting fees	23	10
Repairs and maintenance	13	--
Depreciation and amortization	1	--
Professional services and other expenses	1,290	168
<b>Total</b>	<b>1,480</b>	<b>179</b>

Other operating expenses comprise expenses related to services provided by related parties of EUR 969 thousand (2020: EUR 0 thousand); refer also to Note 19 Related parties.

## 16 Interest and other finance income and expense

### a) Interest and other finance income

	For the period from 1 January to 30 June 2021	For the period from 3 July 2019 to 31 December 2020
Interest received	1	--
Foreign exchange gains	2,231	--
Other financial income	--	--
<b>Total</b>	<b>2,232</b>	<b>--</b>

### b) Interest and other finance expense

	For the period from 1 January to 30 June 2021	For the period from 3 July 2019 to 31 December 2020
Interest on bank loans and bonds issued	4,315	--
Less: Interest from borrowings capitalized (Notes 6)	(461)	--
<b>Interest expense charged to profit or loss</b>	<b>3,854</b>	<b>--</b>

	For the period from 1 January to 30 June 2021	For the period from 3 July 2019 to 31 December 2020
Interest expense charged to profit or loss	3,854	--
Foreign exchange losses	136	--
Change in fair value of derivatives - losses	1,376	--
Other finance expenses	6	--
<b>Total</b>	<b>5,372</b>	<b>--</b>

Interest expenses directly attributable to the acquisition, construction or production of investment property are capitalised (Note 6). In the six months ended 30 June 2021, 11.0 %, of interest from loans and borrowings was capitalised (in the period from 3 July 2019 to 31 December 2020: 0.0%).

**17 Income tax expense**

	For the period from 1 January to 30 June 2021	For the period from 3 July 2019 to 31 December 2020
Current tax expense	--	--
Change in current tax expense related to prior years	--	--
Deferred tax expense (Note 13)	(4,021)	--
<b>Total income tax expense</b>	<b>(4,021)</b>	<b>--</b>

**Reconciliation of effective tax rate:**

	For the period from 1 January to 30 June 2021	For the period from 3 July 2019 to 31 December 2020
Profit / (Loss) before tax	37,593	(114)
Domestic tax rates applicable to profits of the parent company	35%	35%
Domestic tax rate applicable to profits of other consolidated Czech entities	19%	n/a
Income tax using the entities' domestic rate	<b>(6,602)</b>	<b>40</b>
Tax-exempt income	3,645	--
Tax non-deductible expenses	(922)	(40)
Utilisation of unrecognised deferred tax asset brought forward from previous years	--	--
Utilisation of unrecognised deferred tax asset acquired through acquisition of group of assets and liabilities	(119)	--
Change in unrecognised deferred tax asset from tax losses	--	--
Change in unrecognised deferred tax asset from other items	(23)	--
<b>Tax expense</b>	<b>4,021</b>	<b>--</b>

## 18 Contingencies and commitments

### Tax investigations

The tax authorities may at any time inspect the books and records within 3 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Group's management is not aware of any circumstances which may give rise to a potential material liability to the Group in this respect.

### Investment property - future construction and service costs

The amount of EUR 15,634 thousand represents future construction and service costs as at 30 June 2021. These costs stemmed from the contracts which were concluded with construction, legal and service companies and part of it is dependent on reaching of certain milestones.

### Guarantees

The Group neither provided nor received any guarantees.

### Pledged assets

Bank loans and borrowings and bonds issued are secured by pledges of assets. Summary of pledged assets as at 30 June 2021 is provided in the table below.

<b>As at 30/06/2021</b>	<b>Before eliminations</b>	<b>Eliminations</b>	<b>After eliminations</b>
Investment property	187,622	--	187,622
Other intangible assets	15	--	15
Provided loans non-current	77,868	(77,868)	--
Restricted cash non-current	1,582	--	1,582
Prepayments non-current	840	--	840
Trade and other receivables current	3,452	(1,750)	1,702
Prepayments current	951	--	951
Cash and cash equivalents	8,230	--	8,230
<b>Total pledged assets</b>	<b>280,560</b>	<b>(79,618)</b>	<b>200,942</b>

The Group considers pledged all assets of companies in the Group whose shares are pledged (refer to Note 22 Group). Therefore, amounts before and after consolidation eliminations are provided.



## 19 Related parties

The Directors of the Company and their close family members are treated as related parties.

The Group is owned primarily by Cali Global Investments Limited which is registered at B2, Industry Street, Zone 5. Qormi CBD 5030, Malta. For the composition of Group shareholders refer to Notes 1 and 9.

The following transactions were carried out with related parties (transactions and balances with related parties do not include intra-group balances and transactions eliminated in preparing the consolidated financial statements):

### 19.1 Purchase of goods and services

Services are usually negotiated with related parties using price lists applicable for non-related parties.

	For the period from 1 January to 30 June 2021	For the period from 3 July 2019 to 31 December 2020
Other operating expenses	969	--
Other purchases (1)	51,157	--
<b>Total</b>	<b>52,126</b>	<b>--</b>

(1) For description of acquisition of investment in subsidiaries and loans assigned refer to Note 5 Changes in the Group structure.

### 19.2 Sales of goods and services

	For the period from 1 January to 30 June 2021	For the period from 3 July 2019 to 31 December 2020
Rental income	1	--
Other operating income	--	67
<b>Total</b>	<b>1</b>	<b>67</b>

### 19.3 Receivables from and payables to related parties

	30/06/2021	31/12/2020
Trade and other receivables	--	100
Prepayments	883	--
<b>Total</b>	<b>883</b>	<b>100</b>

	30/06/2021	31/12/2020
Trade payables and other liabilities	268	79
Advances received	3	--
<b>Total</b>	<b>271</b>	<b>79</b>

#### Director's remuneration

Director's fees incurred by the parent and its subsidiaries during the six months ended 30 June 2021 amounted to EUR 6 thousand (for the period from 3 July 2019 to 31 December 2020: EUR 6 thousand).

## 20 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The primary objectives of the financial risk management function, being monitored by the financial director, are to establish risk limits, and then ensure that exposure to risks stays within these limits. Financial instruments are only used to mitigate the below mentioned risks and are not held for trading/speculation purposes.

This section provides details of the Group's exposure to financial and operational risks and the way the Group manages such risks.

The financial assets and liabilities could be summarized as follows:

<b>As at</b>	<b>30/06/2021</b>	<b>31/12/2020</b>
<i>In thousands of EUR</i>		
<b>Financial assets measured at amortised cost</b>		
Cash and cash equivalents	8,230	--
Restricted cash	1,582	--
Trade and other receivables	1,304	100
<b>Total</b>	<b>11,116</b>	<b>100</b>
<b>Financial liabilities measured at amortised cost</b>		
Bank loans and borrowings	(84,432)	--
Bonds issued	(61,766)	--
Trade payables and other liabilities	(400)	(347)
<b>Total</b>	<b>(146,598)</b>	<b>(347)</b>
<b>Financial assets liabilities measured at FVTPL</b>		
Derivative financial instruments	(1,376)	--
<b>Total</b>	<b>(1,376)</b>	<b>--</b>

## 20 Financial Risk Management (continued)

### 20.1 Currency risk

Foreign currency exchange risk is limited and arises from recognised monetary assets and liabilities.

The Group uses foreign exchange swaps for risk management purposes to reduce the risk of debt exposed to foreign exchange fluctuations. The Group does not use foreign exchange derivatives for speculative purposes. The derivative financial instrument is not designated as used for hedging

The functional currencies for the Group companies are primarily CZK and EUR. Presentation currency of the Group is EUR.

As of 30 June 2021, the exposure to currency risk was as follows:

<b>As at 30/06/2021</b>	<b>EUR</b>	<b>CZK</b>
<i>In thousands of EUR</i>		
<b>Financial assets measured at amortised cost</b>		
Cash and cash equivalents	4,307	3,923
Restricted cash	109	1,473
Trade and other receivables	404	900
<b>Total</b>	<b>4,820</b>	<b>6,296</b>
<b>Financial liabilities measured at amortised cost</b>		
Bank loans and borrowings	(84,432)	--
Bonds issued	--	(61,766)
Trade payables and other liabilities	(136)	(264)
<b>Total</b>	<b>(84,568)</b>	<b>(62,030)</b>
<b>Net statement of financial position exposure</b>	<b>(79,748)</b>	<b>(55,734)</b>
<b>Financial assets liabilities measured at FVTPL</b>		
Derivative financial instruments (nominal amounts)	(53,500)	56,659
<b>Total</b>	<b>(53,500)</b>	<b>56,659</b>
<b>Net exposure</b>	<b>(133,248)</b>	<b>925</b>

## 20 Financial Risk Management (continued)

### 20.1 Currency risk (continued)

As of 31 December 2020, the exposure to currency risk was as follows:

<b>As at 31/12/2020</b>	<b>EUR</b>	<b>CZK</b>
<i>In thousands of EUR</i>		
<b>Financial assets measured at amortised cost</b>		
Trade and other receivables	93	7
<b>Total</b>	<b>93</b>	<b>7</b>
<b>Financial liabilities measured at amortised cost</b>		
Trade payables and other liabilities	(340)	(7)
<b>Total</b>	<b>(340)</b>	<b>(7)</b>
<b>Net exposure</b>	<b>(247)</b>	<b>--</b>

The following significant exchange rates applied during the period:

<i>EUR</i>	Average rate		Reporting date spot rate	
	For the period from 1 January to 30 June 2021	For the period from 3 July 2019 to 31 December 2020	30/06/2021	31/12/2020
CZK 100	3.87	3.78	3.92	3.81

#### **Sensitivity analysis**

A strengthening / (weakening) of the Czech crown, as indicated below, against the EUR at the reporting date would have increased / (decreased) the equity by the amounts shown in the following table. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably likely at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	<b>30 June 2021</b>	<b>31 December 2020</b>
Net position of financial assets and liabilities denominated in CZK	925	(7)
<b>Effect on profit or loss and on equity of:</b>		
EUR strengthening by 5%	(46)	--
EUR weakening by 5%	46	--

## 20.2 Interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest costs may increase as a result of such changes. They may reduce or create losses in the event that unexpected movements arise.

At the end of the reporting period the interest rate profile of the Group's interest-bearing financial instruments was as follows.

As at	30/06/2021	31/12/2020
<i>In thousands of EUR</i>		
<b>Fixed rate instruments</b>		
Bonds issued	(61,766)	--
<b>Total</b>	<b>(61,766)</b>	<b>--</b>
<b>Variable rate instruments</b>		
Bank loans received	(84,432)	--
<b>Total</b>	<b>(84,432)</b>	<b>--</b>

The interest rate sensitivity, measured as a theoretical impact of a parallel shift in yield curve by 100 basis points on the fair values and cash flows, is shown below

Interest rate sensitivity	30/06/2021		31/12/2020	
	+100 bps	-100 bps	+100 bps	-100 bps
<b>Fair value sensitivity</b>				
Fixed rate instruments	(618)	618	--	--
<b>Cash flow sensitivity</b>				
Variable rate instruments	(844)	844	--	--

### *Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate any derivatives as hedging instruments under a fair value hedge accounting model.

### *Cash flow sensitivity analysis for variable rate instruments*

This calculation includes instruments with a floating interest rate. For the following financial instruments, the impact of a change in interest rates on interest income/expenses from the instruments is calculated:

- Bank loans bearing variable interest rate based on EURIBOR

### 20.3 Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities as they fall due.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group Financial department aims to maintain flexibility in funding by keeping committed credit lines available so that financial liabilities can be settled when they fall due. Management monitors monthly rolling forecasts of the Group's cash flows.

The table set out on below shows liabilities 30 June 2021 at 31 December 2020 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date.

As disclosed in Notes 10 and 11, bonds issued and bank loans are fully secured. Bonds issued and bank loans provided to the Group contain covenants.

30/06/2021	Contractual cash flows (excluding interest)				Total
	On demand and less than 1 month	From 1 to 12 months	From 1 to 5 years	In more than 5 years	
Bank loans and borrowings	--	1,010	83,422	--	84,432
Bonds issued	--	--	61,766	--	61,766
Trade and other payables	400	--	--	--	400
Derivative financial instruments	--	--	1,376	--	1,376
<b>Total Current and Non-current financial liabilities</b>	<b>400</b>	<b>1,010</b>	<b>146,564</b>	<b>--</b>	<b>147,974</b>

As at 31/12/2020	Contractual cash flows (excluding interest)				Total
	On demand and less than 1 month	From 1 to 12 months	From 1 to 5 years	In more than 5 years	
Trade and other payables	121	226	--	--	347
<b>Total Current and Non-current financial liabilities</b>	<b>121</b>	<b>226</b>	<b>--</b>	<b>--</b>	<b>347</b>

## 20.4 Credit risk

Generally, credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, outstanding receivables and committed transactions.

The Group has no significant concentrations of credit risk. However, credit risk is managed on a group wide basis. The Group has policies in place to ensure that sales and rental contracts are made with customers with an appropriate credit history and that credit risk on sales is mitigated through advances received from customers. Bank transactions are limited to high-credit-quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.

Credit risk is mitigated due to the fact, that the Group cooperates primarily with banks and financial institutions with a minimum rating of BAA3, based on Moody's ratings or with privately owned Czech banks that are under the supervision of the Czech National Bank.

Ageing structure of trade receivables and securities received for trade receivables are shown in Note 7.

The Group used investment property (Note 6) and bank accounts (Note 8) as collateral to third party banks.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows.

<b>As at</b>	<b>30/06/2021</b>	<b>31/12/2020</b>
<i>In thousands of EUR</i>		
<b>Financial assets measured at amortised cost</b>		
Cash and cash equivalents	8,230	--
Restricted cash	1,582	--
Trade and other receivables	1,304	100
<b>Total</b>	<b>11,116</b>	<b>100</b>

Impairment losses on financial assets were as follows:

<b>As at</b>	<b>30/06/2021</b>	<b>31/12/2020</b>
<i>In thousands of EUR</i>		
Impairment loss on trade and other receivables	(180)	(1)
<b>Total</b>	<b>(180)</b>	<b>(1)</b>

Impairment losses on financial assets charged to profit or loss of the current year were as follows:

<i>In thousands of EUR</i>	<b>For the period from 1 January to 30 June 2021</b>	<b>For the period from 3 July 2019 to 31 December 2020</b>
Impairment loss charges on trade and other receivables	(125)	(1)
<b>Total</b>	<b>(125)</b>	<b>(1)</b>

## 20.4 Credit risk (continued)

Credit risk by type of counterparty could be summarized as follows:

As at 30/06/2021	Corporate (non-financial institutions)	Banks and financial institutions	Individuals	Other	Total
Cash and cash equivalents	--	8,230	--	--	8,230
Restricted cash	--	1,582	--	--	1,582
Trade and other receivables	1,304	--	--	--	1,304
<b>Total</b>	<b>1,304</b>	<b>9,812</b>	<b>--</b>	<b>--</b>	<b>11,116</b>

Credit risk by type of counterparty could be summarized as follows:

As at 31/12/2020	Corporate (non-financial institutions)	Banks and financial institutions	Individuals	Other	Total
Trade and other receivables	100	--	--	--	100
<b>Total</b>	<b>100</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>100</b>

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	For the period from 1 January to 30 June 2021	For the period from 3 July 2019 to 31 December 2020
<b>Opening balance</b>	(1)	--
Amounts written off	9	--
Net remeasurement of loss allowance	(125)	(1)
Acquired through acquisition of group of assets and liabilities	(60)	--
Effects of movements in foreign exchange rate	(3)	--
<b>Closing balance</b>	<b>(180)</b>	<b>(1)</b>

## 20.5 Derivative financial instruments

As at 30 June 2021, the Group disclosed foreign exchange swap for risk management purposes to reduce the risk of debt exposed to exchange rates fluctuations related to bonds issued in CZK (refer also to Note 10 Bonds issued). The foreign exchange swap is recorded at fair value through profit or loss and is not designated as hedging instrument.

As at 30/06/2021	Nominal value	Currency	Maturity	Fair value at 30/06/2021 (TEUR)	Due within 1 year (TEUR)	Due in 1–5 years (TEUR)
Foreign exchange swap	53,500,000	EUR				
Foreign exchange swap	1,443,965,000	CZK				
<b>Foreign exchange swap</b>			09/01/2026	<b>(1,376)</b>	<b>--</b>	<b>(1,376)</b>
<b>Financial instruments derivatives - total</b>				<b>(1,376)</b>	<b>--</b>	<b>(1,376)</b>



## 20.6 Offsetting financial assets and financial liabilities

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 30 June 2021:

	Gross amounts before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amount after offsetting in the statement of financial position	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amount of exposure
				Financial instruments	Cash collateral received	
<b>ASSETS</b>						
Cash settled with financial liabilities (Note 8)	8,230	--	8,230	--	(8,230)	--
Restricted cash settled with financial liabilities (Note 8)	1,582	--	1,582	--	(1,582)	--
Other financial assets (Note 7)	1,304	--	1,304	(1,304)	--	--
<b>TOTAL ASSETS SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT</b>	<b>11,116</b>	<b>--</b>	<b>11,116</b>	<b>(1,304)</b>	<b>(9,812)</b>	<b>--</b>
<b>LIABILITIES</b>						
Bank loans (Note 11)	(83,422)	--	(83,422)	1,304	4,212	(77,906)
Bonds issued (Note 10)	(61,766)	--	(61,766)	--	4,356	(57,410)
Derivative financial instruments (Note 20)	(1,376)	--	(1,376)	--	1,244	(132)
Other financial liabilities (Note 12)	(400)	--	(400)	--	--	(400)
<b>TOTAL LIABILITIES SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT</b>	<b>(146,964)</b>	<b>--</b>	<b>(146,964)</b>	<b>1,304</b>	<b>9,812</b>	<b>(135,848)</b>

The Group has pledged financial instruments as collateral against bank loans and borrowings and bonds issued. Refer to refer to Note 10 Bonds issued, Note 11 Loans and borrowings and Note 18 Contingencies and commitments for further information on financial and non-financial collateral pledged as security against borrowings and bonds.

## 21 Management of capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, sell assets or reduce / extend additional drawings of shareholders' debt.

Consistent with others in the industry, the Group is trying to achieve maximum return on equity for its shareholders. Therefore, by investing in projects with embedded IRR higher than the bank loan interest rate, the Group is trying to minimize the equity needed for such project. The capital management is interconnected with management of liquidity.

As is typical for the industry, the Group monitors capital on the basis of loan to value (LTV). LTV describes the ratio of net debt to the fair value of investment property. Net debt is calculated by deducting cash and cash equivalents from financing liabilities. Capital of the Group comprise of net debt and equity.

The Group did not have any externally imposed capital requirements throughout the six months ended 30 June 2021 and in the comparative period.

## 22 Group entities

As at 30 June 2021 and 31 December 2020, the following entities were included in the consolidated financial statements:

	Effective ownership (%)		Consolidation method		Profile
	30/06/2021	31/12/2020	30/06/2021	31/12/2020	
Savarin P.L.C. (1)	n/a	n/a	Full	--	Parent company
Savarin HoldCo, s.r.o. (1)+(2)	100	--	Full	--	Holding company
Palace Savarin HoldCo, s.r.o. (1)+(2)	100	--	Full	--	Holding company
WELWYN COMPANY, a.s. (1)+(2)	100	--	Full	--	Investment property project
Palace Savarin, s.r.o. (1)+(2)	100	--	Full	--	Investment property project

- 1) Ownership interest in the entity has been pledged in favour of third parties.
- 2) These entities have their registered office in the Czech Republic. Registered seat is also principal place of business for all companies.

## 23 COVID-19

The COVID-19 pandemic is a health and economic situation that has all the features of a complex crisis on a global scale. At the end of December 2019, Chinese public health authorities reported several cases of acute respiratory syndrome. The virus has spread massively into all continents during Q1 2020. In terms of Czech Republic where the Group is operating, the first virus case has been confirmed on 1 March 2020. The Czech government has responded very promptly with emergency state and safety precautions like border or schools shutdown, retail lockdown with limited exceptions and people movement restrictions. The pandemic started to slow down at the beginning of April 2020 and restrictions were released gradually. Government action packages have been taken to reduce as much as possible impact on the economy. As at the date of preparation of these financial statements, the Czech Republic has significantly recovered and new daily cases has decreased from 15 thousands in March 2021 to below 300 in September 2021.

The COVID-19 vaccination in the Czech Republic started in December 2020 and as at date of preparation of these financial statements it has been reported 54% of fully vaccinated population.

Based on the publicly available information at the date these financial statements were prepared, management of the Group has considered the potential development of the epidemic and its expected impact on the Company and its underlying subsidiaries and economic environment and concluded that it has limited impact on the Group's financing and operating activities. This is based on the following analysis:

*Rent collecting*

Retail tenants of the underlying subsidiaries were the most affected by lockdown. The Czech government supported tenants by three-month moratorium applicable for both retail and office tenants, the due rent has to be paid not later than 31st December 2020. In addition, as of 8 May 2020, the European Commission approved the Czech public support programme COVID – rent. The programme entitles compensation for the period from April to June 2020 whereby the state will pay 50% of rents to tenants if lessors provide a discount of 30%.

The COVID-19 situation has significantly improved and retailers have recovered. Project teams are in close contact with tenants to react on their situation on an individual basis.

## **24 Subsequent events**

### **Financing**

In August 2021, the Group refinanced part of non-current bank loan of EUR 16,832 thousand provided by J&T BANKA, a.s. to WELWYN COMPANY, a.s. to bank loan provided by TRINITY BANK a.s. of EUR 17,000 thousand with interest rate based on PRIBOR and maturity as at May 31, 2026.

### **Contractual commitments**

In September 2021, the Group concluded contract with construction company that includes a commitment to pay future constructions costs in the amount of EUR 11,380 thousand.

### **Directors**

Omar Koleilat was appointed as Class B director of Savarin P.L.C. with effect from the 24th August 2021.

Other than above, up to the date of the approval of the financial statements by the directors, there are no subsequent events which either warrant a modification of the values of its assets and liabilities or any additional disclosures.