Savarin P.L.C.

CONSOLIDATED HALF-YEAR FINANCIAL REPORT AND CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

30 June 2023

The directors present consolidated half-year financial report of Savarin P.L.C. (the Company) and its subsidiaries (together the Group), for the six-months period ended 30 June 2023.

Board of Directors

The following have served as directors of the Company during the period under review:

FJV Management Limited

Omar Koleilat

Auditors

PricewaterhouseCoopers have been appointed as auditors of the Company. However, the consolidated half - year financial report as at and for the six-months period ended 30 June 2023 is not subject to audit.

Narrative information about financial situation, business activities and financial results of the Group for past 6 months and comparison of the information about the financial situation, business activities and financial results of the Group with the comparable period of the previous period

The Group operates 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.

During the reporting period, the Group registered a consolidated loss before income tax amounting to EUR (4,630) thousand (6 months period ended 30 June 2021: loss amounting to EUR (2,680) thousand) and consolidated loss for the reporting period amounting to EUR (4,395) thousand (6 months period ended 30 June 2021: loss of EUR (2,540) thousand). Consolidated loss for the six-months period ended 30 June 2023 consists primarily of operating loss in the amount of EUR (2,656) thousand and net finance expense in the amount of EUR (4,630) thousand. Split of net finance expense is included in Note 7 Profit and loss information of condensed consolidated interim financial statement.

Consolidated loss for the six-months period ended 30 June 2023 was primarily affected by the valuation loss in the amount of EUR (3,415) thousand caused by exchange rate fluctuation and interest and other finance expense in the amount of EUR (5,569) thousand.

Consolidated shareholders' equity amounted to EUR 38,965 thousand as at 30 June 2023 (31 December 2022: EUR 42,671 thousand). Decrease was caused primarily by the consolidated loss of the six-months period ended 30 June 2023.

Total consolidated assets as at 30 June 2023 increased to EUR 230,348 thousand compared to EUR 223,880 thousand as at 31 December 2022. Total consolidated assets as at 30 June 2023 consist primarily of investment property in the amount of EUR 215,775 thousand, financial instruments in the amount of EUR 4,941 thousand and cash and restricted cash in the amount of EUR 6,422 thousand.

Total consolidated liabilities as at 30 June 2023 increased to EUR 191,383 thousand compared to EUR 181,209 thousand as at 31 December 2022, primarily due to increase in bank loans and borrowings and bonds issued. Total consolidated liabilities as at 30 June 2023 consist primarily of bank loans and borrowings in the amount of EUR 98,281 thousand, bonds issued in the amount of EUR 76,821 thousand and deferred tax in the amount of EUR 12,430 thousand.

There were no significant changes in the scope of activities of the Group in the current accounting period.

Description of significant factors, risks and uncertainties which may affect the business activities and financial results of the issuer and its subsidiaries in the next 6 months

During the next 6 months of the accounting period, the Group does not anticipate any key factors that have a significant positive or negative impact on the Group's economic activities. The Group is generating rental income from commercial buildings located in Prague city centre, however the main business target is to redevelop whole area into one functional and cultural place. The management expects a decision on zoning permit reflecting the project of Thomas Heatherwick within the year 2023.

Continuing political tensions between Russia and Ukraine escalated into a conflict with Russia´s military invasion of Ukraine at the end of February 2022.The global response to Russia´s violations of international law and aggression against Ukraine has been the imposition of extensive sanctions and restrictions on business activity. The overall impact of recent developments has been reflected in increased volatility in financial and commodity markets and other implications for the economy, such as possible impact on the discounting factor and country risk. The Group has taken measures to minimize any impacts resulting from above-mentioned conflict, especially in the area of project financing. In 2022, the Group restructured bank loans so vast majority of them bear interest risk based on the EURIBOR, while, previously, significant part of them bore interest rate based on PRIBOR, that was significantly higher than EURIBOR. Further, the management continues to monitor the situation to be able to take measures in the area of the implementation of the construction of development projects and the stabilization of their prices within the framework of contractual relations with general construction contractors.

Declaration of the Board of Directors

To the best of our knowledge, the condensed consolidated interim financial statement gives a true and fair view of the assets, liabilities, financial position and financial results of the Company and the Group over the past six months and the description pursuant to Section 119(2)(b) of Act No. 256/2004 Coll., as amended, contains a faithful summary of the information required by this provision.

Approved by the Board of Directors on 22 September 2023 and signed on its behalf by:

DocuSigned by:
F2C54CF6A63E4C2...

Kurt Risiott

For and on behalf of

FJV Management Limited

Director

DocuSigned by:
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Omar Koleilat

Director

Savarin P.L.C.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
30 JUNE 2023

(UNAUDITED)

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(all amounts in EUR thousand)

Condensed consolidated interim statement of financial position

	Note	As at 30 June 2023 (unaudited)	As at 31 December 2022
ASSETS			
Non-current assets			
Investment property	6	215,775	211,155
Intangible assets		10	11
Financial instruments – derivatives		4,941	2,875
Restricted cash		5,344	4,916
Prepayments		840	840
Total non-current assets		**226,910**	**219,797**
Current assets			
Trade and other receivables		1,181	1,611
Prepayments		1,179	1,153
Cash and cash equivalents		1,078	1,319
Total current assets		**3,438**	**4,083**
Total assets		**230,348**	**223,880**
EQUITY			
Capital attributable to the Company's equity holders			
Share capital		50	50
Translation reserve		3,345	2,656
Retained earnings		35,570	39,965
Total equity attributable to equity holders of the parent		**38,965**	**42,671**
Non-controlling interests		-	-
Total equity		**38,965**	**42,671**

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

(all amounts in EUR thousand)

Condensed consolidated interim statement of financial position (continued)

	Note	As at 30 June 2023 (unaudited)	As at 31 December 2022
LIABILITIES			
Non-current liabilities			
Bank loans and borrowings	9	97,769	91,829
Bonds issued	8	76,821	72,920
Advances received		446	381
Deferred tax liability		12,430	12,580
Total non-current liabilities		**187,466**	**177,710**
Current liabilities			
Bank loans and borrowings	9	512	441
Income tax liability		150	43
Trade payables and other liabilities		3,017	2,529
Advances received		238	486
Total current liabilities		**3,917**	**3,499**
Total liabilities		**191,383**	**181,209**
Total liabilities and equity		**230,348**	**223,880**

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

The condensed consolidated interim financial statements on pages 6 - 25 were approved and authorized for issue by the Directors on 22 September 2023 and signed by:

DocuSigned by:
F2C54CF6A63E4C2...
Kurt Risiott

for and on behalf of

FJV Management Limited

Director

DocuSigned by:
Omar Koleilat
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Omar Koleilat

Director

(all amounts in EUR thousand)

Condensed consolidated interim statement of comprehensive income

	Note	Six-months period ended 30 June 2023 (unaudited)	Six-months period ended 30 June 2022 (unaudited)
Rental revenue	10	1,457	1,267
Total revenues		**1,457**	**1,267**
Net valuation gain/(loss) on investment property	6	(3,415)	(931)
Impairment settlement/(impairment) of loans provided and trade receivables		12	(61)
Other operating expenses		(710)	(760)
Operating profit/(loss)		**(2,656)**	**(485)**
Interest and other finance income	7	3,595	1,592
Interest and other finance expense	7	(5,569)	(3,787)
Net finance expense		**(1,974)**	**(2,195)**
Profit/(loss) before income tax		**(4,630)**	**(2,680)**
Income tax credit/(expense)		235	140
Profit/(loss) for the year		**(4,395)**	**(2,540)**
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences		689	211
Other comprehensive income		**689**	**211**
Total comprehensive income/(loss) for the year		**(3,706)**	**(2,329)**
Profit /(loss) for the year attributable to:			
Owners of the Company		**(4,395)**	**(2,540)**
Non-controlling interests			**-**
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**(3,706)**	**(2,329)**
Non-controlling interests		**-**	**-**

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

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(all amounts in EUR thousand)

Condensed consolidated interim statement of changes in equity

	Share capital	Translation reserve	Retained earnings	Attributable to owner of the Parent	Attributable to non-controlling interests	Total equity
Balance at 1 January 2023	**50**	**2,656**	**39,965**	**42,671**	**-**	**42,671**
Total comprehensive income for the year:						
Loss for the year	**-**	**-**	(4,395)	**(4,395)**	**-**	**(4,395)**
Other comprehensive income for the year:						
Foreign currency translation differences	-	689	-	**689**	-	**689**
Total other comprehensive income for the year	**-**	***689***	**-**	***689***	**-**	***689***
Total comprehensive income for the year	-	**689**	**(4,395)**	**(3,706)**	**-**	**(3,706)**
Balance at 30 June 2023	**50**	**3,345**	**35,570**	**38,965**	**-**	**38,965**

(all amounts in EUR thousand)

	Share capital	Translation reserve	Retained earnings	Attributable to owner of the Parent	Attributable to non-controlling interests	Total equity
Balance at 1 January 2022	**50**	**1,375**	**36,196**	**37,621**	**-**	**37,621**
Total comprehensive income for the year:						
Profit for the year	**-**	**-**	(2,540)	**(2,540)**	**-**	**(2,540)**
Other comprehensive income for the year:						
Foreign currency translation differences	-	211	-	**211**	-	**211**
Total other comprehensive income for the year	***-***	***211***	***-***	***211***	***-***	***211***
Total comprehensive income for the year	-	**211**	**(2,540)**	**(2,329)**	**-**	**(2,329)**
Balance at 30 June 2022	**50**	**1,586**	**33,656**	**35,292**	**-**	**35,292**

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

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(all amounts in EUR thousand)

Condensed consolidated interim statement of cash flows

	Note	Six - months period ended 30 June 2023 (unaudited)	Six - months period ended 30 June 2022 (unaudited)
Cash flows from operating activities:			
Profit/(loss) before taxation		(4,630)	(2,680)
Adjustments for:			
Net valuation loss/ (gain) on investment property	6	3,415	931
Amortization of intangible assets		2	-
Impairment loss on trade and other receivables		(12)	61
Impairment loss on other assets		-	-
Interest income		(127)	-
Interest expense		5,535	3,617
Change in fair value of derivates		(2,066)	(1,313)
Foreign exchange translation differences		(268)	(257)
Operating profit/(loss) before changes in the working capital		**1,849**	**359**
Change in trade and other receivables and prepayments		416	413
Change in trade payables and other liabilities		305	1,080
Net cash generated from / (used in) operations activities		**721**	**1,493**
Income taxes paid		-	-
Net cash flows generated from / (used in) operating activities		**2,570**	**1,852**
Cash flows from investing activities:			
Expenditure on investment property		(4,627)	(2,124)
Interest received		127	-
Net cash flows used in investing activities		**(4,500)**	**(2,124)**
Cash flows from financing activities:			
Proceeds from loans and borrowings		3,493	17,423
Repayment of loans and borrowings		(499)	(17,638)
Proceeds from bonds issued		-	-
Change in cash held on restricted bank accounts		(428)	(491)
Interest paid		(951)	-
Net cash flows generated from/(used in) financing activities		**1,615**	**(706)**

(all amounts in EUR thousand)

Condensed consolidated interim statement of cash flows (continued)

	Note	**Six - months period ended 30 June 2023 (unaudited)**	**Six - months period ended 30 June 2022 (unaudited)**
Effect of exchange rate changes on cash and cash equivalents		**74**	**-**
Net increase / (decrease) in cash and cash equivalents		**(241)**	**(978)**
Cash and cash equivalent at the beginning of the period **		**1,319**	**4,912**
Cash and cash equivalents at the end of the period **		**1,078**	**3,934**

** 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 condensed consolidated interim financial statements.

In Euro thousand (TEUR) unless stated otherwise

Notes to the condensed consolidated interim financial statements

1 General information, significant changes in current reporting period 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, refer Note 12 Group entities) 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.

Ownership structure as at	**30/06/2023**	**Number of shares as at 30/06/2023**
Savarin Holdco Limited	99.998%	49,999
Crestyl Finco Development S.à r.l.	0.002%	1
		50,000

Ownership structure as at	**31/12/2022**	**Number of shares as at 31/12/2022**
Savarin Holdco Limited	99.998%	49,999
Crestyl Finco Development Limited	0.002%	1
		50,000

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 2023 and 31 December 2022 (number of shares at €1 each):

	Authorized	Issued
Ordinary A	49,999	49,999
Ordinary B	1	1
	50,000	50,000

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

As at 30 June 2023, 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 S.à r.l., the registered office of which is situated at 12C, rue Guillaume J. Kroll, L-1882, Luxembourg. Crestyl Finco Development S.à r.l. is the subsidiary of Crestyl Holding CZ S.à r.l., the registered office of which is situated at 12C, rue Guillaume J. Kroll, L-1882, Luxembourg. Crestyl Holding CZ S.à r.l is the subsidiary of Cali Global Investments

Limited (the ultimate parent company), the registered office of which is situated at B2, Industry Street, Zone 5 Central Business District, Qormi, CBD5030, Malta.

There was no change in the ownership structure of the Company in 2023, except for the fact that, in January 2023, Crestyl Holding Limited transferred its registered seat to 12C, rue Guillaume J. Kroll, L-1882, Luxembourg, changed its name to Crestyl Holding CZ S.à r.l and Crestyl Finco Development Limited transferred its registered seat to the same address and changed its name to Crestyl Finco Development S.à r.l.

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 2023:

- FJV Management Limited
- Omar Koleilat

1.2 Significant changes in the current reporting period

There were no significant changes in the current accounting period.

1.3 Going concern

As at 30 June 2023, the Group has a positive equity position of EUR 38,965 thousand (31 December 2022: EUR 42,671 thousand), and current liabilities that exceeded its current assets by EUR 479 thousand (31 December 2022: current assets exceeded current liabilities by EUR 584 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. Majority of trade payables are planned to be refinanced by long term bank loan, therefore, the directors believe that it is appropriate to prepare the financial statements on the going concern basis as at 30 June 2023 which assumes that the Group will continue in operational existence for the foreseeable future.

1.4 Operating environment

Continuing political tensions between Russia and Ukraine escalated into a conflict with Russia´s military invasion of Ukraine at the end of February 2022.The global response to Russia´s violations of international law and aggression against Ukraine has been the imposition of extensive sanctions and restrictions on business activity. The overall impact of recent developments has been reflected in increased volatility in financial and commodity markets and other implications for the economy, such as possible impact on the discounting factor and country risk. The Group has taken measures to minimize any impacts resulting from above-mentioned conflict, especially in the area of project financing and continues to monitor the situation to be able to take measures in the area of the implementation of the construction of development projects and the stabilization of their prices within the framework of contractual relations with general construction contractors.

2 Summary of material accounting policies

2.1 Statement of compliance and basis of measurement

These condensed consolidated interim consolidated financial statements have been prepared under the historical cost convention, except for investment property and derivative financial instruments that are measured at fair value, in accordance with those IFRS standards and IFRIC interpretations issued and effective as at 31 December 2022 and 30 June 2023.

The condensed consolidated interim financial statements of the Group for the six-months period ended 30 June 2023 have been prepared in accordance with IAS 34, Interim Financial Reporting and have not been audited by an independent auditor. The condensed consolidated interim financial statements of the Group do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group´s annual consolidated financial statements as at 31 December 2022 that are published at https://www.dluhopisy-savarin.com.

The same accounting policies and methods of computation are followed in the condensed consolidated interim financial statements for the six- months period ended 30 June 2023 as compared with the consolidated financial statements as at 31 December 2022.

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:

- 23.73 – Closing middle rate of exchange at 30 June 2023 for statement of financial position items
- 23.69 – Average middle rate of exchange for the period from 1 January 2023 to 30 June 2023 for statement of comprehensive income items
- 24.115 – Closing middle rate of exchange at 31 December 2022 for statement of financial position items
- 24.649 – Average middle rate of exchange for the period from 1 January 2022 to 30 June 2022 for statement of comprehensive income items

2.2 Changes in material accounting policies

A number of new standards are effective from 1 January 2023, but they do not have a material effect on the Group's financial statements:

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.

Amendment to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a single Transactions (Effective date January 2023)

The main change is the exemption from the initial recognition exemption in a transaction which is not a business combination and, at the time of a transaction, affect neither accounting profit nor taxable profit.

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; and
- the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.
- 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.

2.3 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 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non – current and Non-current liabilities with Covenants (applicable for the annual periods beginning on or after 1 January 2024)

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.

Amendments to IAS 7 and IFRS 7: Supplier Finance arrangements (applicable for the annual periods beginning on or after 1 January 2024)

The amendments add disclosure requirements regarding qualitative and quantitative information about supplier finance arrangements.

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 is currently assessing potential impact of these amendments to its consolidated financial statements.

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, restricted cash and bonds issued at Level 2).

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

Valuation techniques and significant unobservable inputs used to measure fair value for Investment Property are described in Note 4 Critical accounting estimates and judgements. 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. OIS (Overnight Index Swap) curves are used for discounting derivatives.

Carrying values of financial assets and liabilities not measured at fair value (except for bonds issued) are a reasonable approximation of their fair value and therefore are not shown separately in the notes to these consolidated financial statements. Fair value of bonds issued amounts to EUR 73,390 thousand as at 30 June 2023 (31 December 2022: EUR 68,945 thousand) and was measured using the discounted cash flow method, whereby the contractual cash flows were discounted by the market discount rate adjusted by risk premium based on average rating of loans provided to subsidiaries. This represents level 2 in fair value measurement hierarchy.

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 is included in Note 6 Investment property.

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 2023 was determined by the Group's management based on external valuation appraisal.

Summary of projects as at 30 June 2023 and 31 December 2022

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

Valuation methods

Property under development and property planned to be re-developed completely was valued using of the residual analysis method. Residual analysis determines the 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) that decreases the residual value 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:

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

<u>Investment property description</u>

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 form 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 Riding Hall will be transformed into a cultural and social space with a square and a garden.

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 from the first above ground floor to seventh 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.

The future development will provide total lettable area extending 60,353 sqm. One part of the development in the form of Palace Savarin will offer 3,646 sqm while the second part, Project Savarin will provide 56,707 sqm. The premises will be predominantly used as a retail and office area. As of the date of the valuation report, no valid building/construction permit had been issued for Project Savarin. The management of the Group takes all steps to receive all necessary permissions and, based on the latest developments, believes that the process will be successful.

Assumption used in final management estimates

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, among others, property Myslbek, Stará Celnice, Florentinum etc., where rent for signed deals approximated 17 – 33 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 36 - 295 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 prevailing office rental was estimated at 30 and 28 EUR per sqm for Palace Savarin and Project Savarin. Prevailing retail rental was estimated at 40 – 220 EUR and 20 - 55 EUR per sqm for Palace Savarin and Project Savarin.

Estimate of costs and developer's margin

Development costs included in fair value computations represent expected costs incurred comparable to market standards or costs to go. Hard construction costs were estimated as 2,235 EUR per sqm and 3,014 EUR per sqm for Palace Savarin and Project Savarin, respectively. Contingency of 5% of hard construction costs creates part of development costs together with professional fees in the approximate amount of 6.5 -15 % of total hard constructions costs. The marketing fees were estimated at 0.5% from gross development value and letting fees 15% from gross annual rate.

Developer´s margin represents 15% and 40% 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 determined based on 60% debt to equity ratio, at 4.5 % for 16 to 36 months financing based on the project.

Yield

Yield in range of 4.75% – 5.25 % was used for investment property project, depending on current market condition, location and specification of the property.

Comparable projects in Prague – among others Palác Špork, Charles Square Centrum, Bořislavka Centrum – provides a yield in range 3.9% – 5.5%.

5 Changes in the Group structure

There were no changes in the Group structure in the six-months period ended 30 June 2023 and in 2022.

Changes in the group structure in 2021

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

Group management considered the optional concentration test as provided by IFRS 3 and concluded that this transaction is an acquisition of group of assets and liabilities.

Impact of this transaction on the consolidated financial statements can be summarized as follows (restated):

	TEUR
Investment property	127,259
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)
Advances received	(720)
Deferred revenues	(2)
Trade and other payables	(961)
Net identifiable assets and liabilities	**51,157**
Consideration, paid in cash	**(51,157)**
Total consideration paid	**(51,157)**
Cash acquired	4,771
Net cash outflow	**(46,386)**

Consideration, paid in cash, consists of EUR 2 thousand for transfer of ownership interests and EUR 51,155 thousand for assignment of 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. Both contracts were treated as a single transaction as they have a single economic objective and substance.

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 8 Bonds issued).

In Euro thousand (TEUR) unless stated otherwise

6 Investment property

	30/06/2023	30/06/2022
Investment property		
Balance at 1 January	**211,155**	**193,816**
Additions - construction cost	3,525	1,647
Additions - capitalized interest	801	765
Additions – capitalized management fee	300	301
Change in fair value	(3,415)	(931)
• *Out of which change related to valuation in EUR*	*(3,415)*	*(931)*
Effects of movements in foreign exchange rates recorded in other comprehensive income	3,409	922
Balance at 30 June	**215,775**	**196,520**

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

Entity	For the six-months period ended 30 June 2023	For the six-months period ended 30 June 2022
WELWYN COMPANY, a.s.	(2,612)	(696)
Palace Savarin, s.r.o.	(803)	(235)
Total	**(3,415)**	**(931)**

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

7 Profit and loss information

Condensed consolidated interim statement of comprehensive income for six-months period ended 30 June 2023 and 30 June 2022 was not affected by any unusual transactions.

Net finance expense can be summarized as follows:

a) Interest and other finance income

	For the six-months period ended 30 June 2023	For the six-months period ended 30 June 2022
Interest received	127	69
Change in fair value of derivatives – gain	2,066	1,313
Foreign exchange gains	1,402	210
Total	**3,595**	**1,592**

In Euro thousand (TEUR) unless stated otherwise

b) Interest and other finance expense

	For the six-months period ended 30 June 2023	For the six-months period ended 30 June 2022
Interest on bank loans and bonds issued	6,336	4,381
Less: Interest from borrowings capitalized (Note 6)	(801)	(765)
Interest expense charged to profit or loss	**5,535**	**3,616**

	For the six-months period ended 30 June 2023	For the six-months period ended 30 June 2022
Interest expense charged to profit or loss	5,535	3,616
Foreign exchange losses	30	158
Other finance expenses	4	13
Total	**5,569**	**3,787**

Interest expenses directly attributable to the acquisition, construction or production of investment property are capitalised (Note 6).

8 Bonds issued

	30/06/2023	31/12/2022
Nominal value of bonds issued	**84,001**	**84,001**
Initial discount	**(24,119)**	**(24,119)**
Transaction cost related to issue of bonds	**(1,786)**	**(1,786)**
Accrued interest	**12,232**	**9,466**
Effect of movements in foreign exchange rates	**6,493**	**5,358**
Total	**76,821**	**72,920**

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.

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 2023, 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 2023 and 31 December 2022 is provided in the Note 11 Contingencies and commitments. Bonds issued are secured also by foreign exchange swap whose fair value amounted to EUR 4,941 thousand as at 30 June 2023 (EUR 2,875 thousand as at 31 December 2022). 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.

In Euro thousand (TEUR) unless stated otherwise

9 Loans and borrowings

	30/06/2023	31/12/2022
Bank loans and borrowings – non-current	97,769	91,829
Bank loans and borrowings – current	512	441
Total current and non-current bank loans and borrowings	**98,281**	**92,270**

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 2023 and 31 December 2022 is provided in the Note 11 Contingencies and commitments. The carrying amount of the loans and borrowings are considered to be the same as their fair value at the reporting date.

The Group considers pledged all assets of companies in the Group whose shares are pledged (refer to Note 12 Group entities). Further, selected loans are secured by future receivables from lease contracts, blank bill of exchange, notarial deed and loan subordination.

As at 30 June 2023, there was no breach of bank loans covenant conditions.

Terms and conditions of outstanding bank loans and borrowings as at 30 June 2023 were as follows:

	Currency	Nominal interest rate	Balance at 30/06/2023	Due within 1 year	Due in 1–5 years
Secured bank loans	EUR	variable*	93,501	512	92,989
Secured bank loans	CZK	variable*	4,780	-	4,780
Total bank loans and borrowings			**98,281**	**512**	**97,769**

* Variable interest rate is derived as EURIBOR (for bank loans denominated in EUR) or PRIBOR (for bank loans denominated in CZK) plus a margin. All interest rates are market based.

Terms and conditions of outstanding bank loans and borrowings as at 31 December 2022 were as follows:

	Currency	Nominal interest rate	Balance at 31/12/2022	Due within 1 year	Due in 1–5 years
Secured bank loans	EUR	variable	90,280	441	89,839
Secured bank loans	CZK	variable	1,990	-	1,990
Total bank loans and borrowings			**92,270**	**441**	**91,829**

* Variable interest rate is derived as EURIBOR (for bank loans denominated in EUR) or PRIBOR (for bank loans denominated in CZK) plus a margin. All interest rates are market based.

In Euro thousand (TEUR) unless stated otherwise

10 Revenues and other operating income

a) Revenues

	Six months period ended 30 June 2023	Six months period ended 30 June 2022
Rental revenues	1,457	1,267
Total revenue	**1,457**	**1,267**

Revenues of the Group are generated in the Czech Republic.

The Group operates in one operating and geographical segment.

In the six months ended 30 June 2023 and 2022, rental revenues were generated by investment property of WELWYN COMPANY, a.s. and Palace Savarin, s.r.o.

11 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 9,059 thousand represents future construction and service costs as at 30 June 2023. 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 2023 and 31 December 2022 is provided in tables below.

As at 30/06/2023	**Before eliminations**	**Eliminations**	**After eliminations**
Investment property	215,775	-	215,775
Other intangible assets	10	-	10
Financial instruments	4,941	-	4,941
Provided loans non-current	102,627	(102,627)	-
Restricted cash non-current	5,344	-	5,344
Prepayments non-current	840	-	840
Trade and other receivables current	1,181	-	1,181
Prepayments current	1,179	-	1,179
Cash and cash equivalents	1,078	-	1,078
Total pledged assets	**332,975**	**(102,627)**	**230,348**

In Euro thousand (TEUR) unless stated otherwise

As at 31/12/2022	Before eliminations	Eliminations	After eliminations
Investment property	211,155	-	211,155
Other intangible assets	11	-	11
Provided loans non-current	96,361	(96,361)	-
Other financial assets non-current	2,875	-	2,875
Restricted cash non-current	4,916	-	4,916
Prepayments non-current	840	-	840
Trade and other receivables current	1,788	(177)	1,611
Prepayments current	1,153	-	1,153
Cash and cash equivalents	1,319	-	1,319
Total pledged assets	**320,418**	**(96,538)**	**223,880**

The Group considers pledged all assets of companies in the Group whose shares are pledged (refer to Note 12 Group entities). Therefore, amounts before and after consolidation eliminations are provided.

12 Group entities

As at 30 June 2023 and 31 December 2022, the following entities were included in the consolidated financial statements:

	Effective ownership (%)		Consolidation method		Profile
	30/06/2023	31/12/2022	30/06/2023	31/12/2022	
Savarin P.L.C. (2)	n/a	n/a	Full	Full	Parent company
Savarin HoldCo, s.r.o. (1) (2)	100	100	Full	Full	Holding company
Palace Savarin HoldCo, s.r.o. (1) (2)	100	100	Full	Full	Holding company
WELWYN COMPANY, a.s. (1) (2)	100	100	Full	Full	Investment property project
Palace Savarin, s.r.o. (1) (2)	100	100	Full	Full	Investment property project

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

13 Subsequent events

There were not significant subsequent events after the date of these condensed consolidated interim financial statements.