BALKAN RETAIL NV

CONSOLIDATED SPECIAL PURPOSE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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Directors responsibility statement

RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the consolidated special purpose financial statements of Balkan Retail, comprising the consolidated statement of financial position as at 30 June 2021 and a consolidated statement of profit or loss and other comprehensive income for the six months then ended, and the related accounting policies and notes, prepared in accordance with the accounting policies of Hyprop Investments Limited, which comply with International Financial Reporting Standards.

The directors are also responsible for such internal controls as they determine necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

APPROVAL OF THE CONSOLIDATED SPECIAL PURPOSE FINANCIAL STATEMENTS

The consolidated special purpose financial statements, as identified in the first paragraph, were approved by the board of directors of Balkan Retail on 14 February 2022 and are signed on its behalf by:

Remko van Roekel
Managing director "A"

Louis Norval
Managing director "B"

Morne Wilken
Managing director "B"

Yvette van der Merwe
Managing director "B"

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Independent auditor's report

Opinion

We have audited the consolidated special purpose financial statements of Balkan Retail N.V and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position at 30 June 2021 and the consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2021, and notes to the consolidated special purpose financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated special purpose financial statements of Balkan Retail N.V for the six months ended 30 June 2021 are prepared, in all material respects, in accordance with the basis of preparation described in the accounting policies set out in the notes to the consolidated special purpose financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Special Purpose Financial Statements section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Preparation

We draw attention to the basis of preparation described in the accounting policies set out in the notes to the consolidated special purpose financial statements. The consolidated special purpose financial statements are prepared in accordance with the Group's own accounting policies for the purpose of complying with paragraph 13.16(a) of the JSE Listings Requirements. As a result, the consolidated special purpose financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of the Directors for the Consolidated Special Purpose Financial Statements

The Directors are responsible for the preparation of the consolidated special purpose financial statements in accordance with basis of preparation described in the accounting policies set out in the notes to the consolidated special purpose financial statements, for determining that the basis of preparation is acceptable in the circumstances and for such internal control as the Directors determine is necessary to enable the preparation of consolidated special purpose financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Consolidated Special Purpose Financial Statements

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated special purpose financial statements. We are responsible for the direction, supervision and performance of the Group. We remain solely responsible for our audit opinion.

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

TMiddlemiss

KPMG Inc.

Tracy Middlemiss

Director

Registered Auditor

14 February 2022

Consolidated Statement of profit or loss and other comprehensive income

for the six months ended 30 June 2021

	GROUP
	June 2021
	EUR'000
Revenue	**23 015**
Rental and other lease income	16 247
Straight-line rental income accrual	582
Non-lease income	715
Recoveries	5 471
Changes in expected credit losses - trade receivables	(1 436)
Property expenses	(8 551)
Net property income	**13 028**
Other operating income	526
Other operating expenses	(671)
Net foreign exchange (loss)/profit	1 633
Operating income	**14 516**
Net interest	(5 125)
Interest income	-
Interest expense	(5 125)
Net operating income	**9 391**
Guarantee fee income	
Dividends received	-
Net income before value adjustments	**9 391**
Changes in fair value	(540)
Investment property	(2 192)
Derivative instruments	1 652
Profit before taxation	**8 851**
Taxation	(1 315)
Profit for the period	**7 536**
Other comprehensive (loss) / income	
Items that may be reclassified subsequently to profit or loss (net of taxation)	
Exchange differences on translation of foreign operations	656
Total comprehensive income for the period	**8 192**

Consolidated Statement of financial position

at 30 June 2021

	Note	GROUP June 2021 EUR'000
ASSETS		
Non-current assets		**485 075**
Investment property	*B1*	479 802
Straight-line rental income accrual	*B1*	2 398
Property, plant and equipment	*B2*	2 252
Deferred taxation	*D1.3*	619
Intangible assets		4
Current assets		**23 592**
Inventory		39
Trade and other receivables		2 852
Cash and cash equivalents		20 701
Total assets		**508 667**
EQUITY AND LIABILITIES		
Equity and reserves		**79 491**
Stated capital		45
Share premium		97 792
Non-distributable reserves		(53 384)
Retained income		35 971
Currency translation reserve		(933)
LIABILITIES		
Non-current liabilities		**307 825**
Borrowings	*C*	269 473
Deferred taxation	*D1.3*	38 352
Current liabilities		**121 351**
Borrowings	*C*	109 917
Trade and other payables	*E*	8 183
Derivatives		3 251
Total liabilities		**429 176**
Total equity and liabilities		**508 667**

Notes to the consolidated special purpose financial statements

A. ACCOUNTING POLICIES

For detailed accounting policies refer to the Hyprop Investments Limited Annual financial statements available at https://hyprop.co.za/pdf/investor/integrated-reports/2021/full-afs.pdf

Basis of preparation

The special purpose consolidated financial statements of Balkan Retail as at 30 June 2021 and for the six-month period then ended ("**Balkan Retail Consolidated Special Purpose Financial Statements**") have been prepared for the purpose of complying with paragraph 13.16(a) of the JSE Listings Requirements which requires, *inter alia* , that the adjustment column of the pro forma statement of financial position of the group must be extracted from the underlying results of the subject matter (which must be audited, if the subject matter is a company or a business).

The Balkan Retail Consolidated Special Purpose Financial Statements comprises of a consolidated statement of financial position as at 30 June 2021 and a consolidated statement of profit or loss and other comprehensive income for the six months then ended, and the related accounting policies and notes.

The Balkan Retail Consolidated Special Purpose Financial Statements have been compiled by consolidating the statements of profit or loss and other comprehensive income and the statements of financial position, which have been extracted from unaudited management accounts, for the following wholly owned subsidiaries of Balkan Retail: AP Retail I EOOD, KH Retail B.V; KH Holdco B.V and Manta doo.

The Balkan Retail Consolidated Special Purpose Financial Statements have been prepared in accordance with the accounting policies of Hyprop, which comply with International Financial Reporting Standards.

B. PROPERTY INVESTMENTS AND RELATED ITEMS

B1 INVESTMENT PROPERTY

B1.1 Accounting policy

Investment properties are properties held to earn rental income and/or for capital appreciation.
Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease.

Investment property is initially recognised at cost. Cost includes initial transaction costs, costs incurred subsequently to extend or refurbish investment property and the cost of any development rights.

Investment property is subsequently measured at fair value.

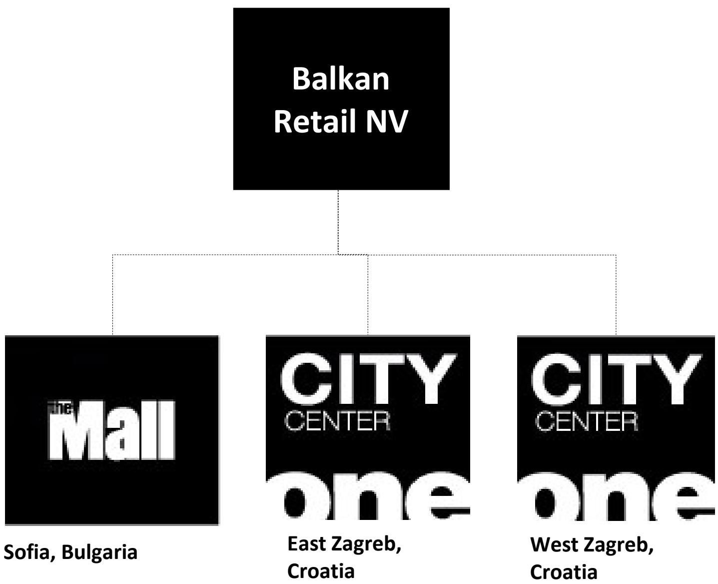
Gains or losses arising from changes in fair value, after deducting the straight-line rental income accrual, are included in net profit or loss (in the line Changes in fair value - investment property) for the period in which they arise. These gains or losses are transferred to non-distributable reserves in the statement of changes in equity.
In instances when investment property has been sold, but not yet transferred to the purchaser at year-end, the fair value is determined as the sale price.
An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the property.

Any gain or loss arising on derecognition of the investment property is included in profit or loss in the period in which the property is derecognised. The gain or loss is calculated as the difference between the net disposal proceeds and the carrying amount of the investment property.
Realised gains or losses arising on the disposal of investment properties are recognised in profit or loss for the year and transferred to/from non-distributable reserves in the statement of changes in equity.

B1.2 Key judgements and estimations

The valuation of investment properties requires judgement in the determination of, inter alia, future cash flows, appropriate discount rates and capitalisation rates used to calculate the fair value of the investment property. Refer: *B1.7.3 - Valuation assumptions.*

B1.3 Profile



All holdings shown in the figure above are at 100% unless otherwise indicated

B. PROPERTY INVESTMENTS AND RELATED ITEMS

B1 INVESTMENT PROPERTY

B1.4 Net carrying value

	GROUP June 2021 EUR'000
Historical cost	493 910
Accumulated fair value movements	(11 710)
Total investment property	**482 200**

B1.5 Movement reconciliation

Investment property at the beginning of the period	482 700
Capital expenditure	444
Disposals	(595)
Currency translation difference	1 843
Net change in fair value[1]	(2 192)
Change in fair value	(1 610)
Straight-line rental income accrual	(582)
Total investment property	**482 200**

[1] *The net change in fair value in the current and prior years is unrealised and is recorded in the statement of profit or loss on the line "Changes in fair value: Investment property".*

B1.6 Reconciliation to independent valuation

Net carrying value of investment property	479 802
Straight-line rental income accrual	2 398
Independent valuation	**482 200**

Interest rate used to calculate interest capitalised (%)	N/A

B1.7 Valuation methodology

The Group’s policy is to obtain an independent valuations of the investment properties and report investment properties at the lower of that value, or a directors' valuation based on arms-length bona fide commercial offers for properties classified as held-for-sale.

The investment properties are independently valued every six months with full valuations being prepared at the financial year end of the relevant owner entity and directors valuations supported by independent desktop valuations being prepared at the half-year reporting date.

Investment property fair value measurements are categorised as level 3.

The valuation methods applied by the independent valuers are the same as those applied in the prior year.

B. PROPERTY INVESTMENTS AND RELATED ITEMS

B1 INVESTMENT PROPERTY

B1.7.1 Who

Valuations of the Eastern Europe investment properties were performed in accordance with the RICS valuation - Global Standard 2017 which incorporates the International Valuation Standards (" the Red book"), as detailed below:

Company and lead valuer	Qualification	Properties valued
CBRE d.o.o. Nebojša Nešovanović MRICS Senior Director, Head of Valuation	- Bachelor's and Master's degree from University of Belgrade respectively in Engineering and Transportation engineering. - Member of the Royal Institute of Chartered Surveyors (MRICS)	The Mall, Sofia, Bulgaria; City Center One East, Zagreb, Croatia; City Center One West, Zagreb, Croatia

B1.7.2 How

Details of the valuation methodologies used to value investment property, as well as the significant unobservable inputs used, are set out in the table below:

Type	Valuation Methodology	Unobservable inputs	Inter-relationship between unobservable inputs and fair value measurement
Investment properties – continuing operations	***Discounted cash flow:*** The valuation models calculate the present value of the future net cash flows expected to be generated by each investment property. The cash flow projections include specific estimates for ten years. The expected net cash flows are discounted using a risk adjusted discount rate as well as a risk adjusted capitalisation rate.	• Estimated rentals at the end of the current lease • Vacancy levels • Discount rate, and • Reversionary capitalisation rate • Average market rental growth rate	The estimated fair value increases if: • The estimated rentals increase • Vacancy levels decline • Discount rates (market yields) decline or • Reversionary capitalisation rates decline (and vice versa).

B. PROPERTY INVESTMENTS AND RELATED ITEMS

B1 INVESTMENT PROPERTY

B1.7.3 Valuation assumptions

The key assumptions used by the valuers in determining the fair values of the investment properties are in the following rang

	GROUP June 2021 %
Reversionary capitalisation rates	7.25 - 7.5
Weighted average reversionary capitalisation rates	7.3
Discount rates	8.25 - 8.75
Weighted average discount rate	8.4
Retail vacancy levels	0.5 - 1.5
Office vacancy levels	0.5 - 1.5
Average market rental growth rate	1.38 - 1.82

The discount and capitalisation rates used in the property valuations are dependent on a number of factors such as location, the condition of the improvements, current market conditions, the lease covenants and the risk inherent in the property. These rates are assessed for each individual property based on its specific circumstances.

The anticipated short-term impact of rental discounts granted to tenants as a result of COVID-19 was taken into account as a once off adjustment.

CBRE valuations have noted in their valuation reports that, as a result of COVID-19, their valuations are reported on the basis of “material valuation uncertainty” as per VPS 3 and VPGA 10 of the RICS Red Book Global (The Royal Institute of Chartered Surveyors global valuation standards guideline).

They note that, at the valuation date:

- the current response to COVID-19 means that they are faced with an unprecedented set of circumstances on which to base a judgement; and
- they consider that they can attach less weight to previous market evidence for comparison purposes, to inform opinions of value.

Consequently, they note that, less certainty and a higher degree of caution should be attached to the valuations than would normally be the case.

Given the unknown future impact that COVID-19 might have on the real estate market, they recommend that the valuations be kept under frequent review.

B. PROPERTY INVESTMENTS AND RELATED ITEMS

B1 INVESTMENT PROPERTY

B1.7.4 Valuation sensitivity

The valuations of the investment properties are sensitive to changes in the unobservable inputs used in such valuations. Changes to one of the unobservable inputs, while holding the other inputs constant, would have the following effects on the fair value of investment property (excluding investment properties held-for-sale) in the statement of profit or loss.

		GROUP
	June 2021	**June 2021**
	% change	**EUR'000**
Increase in reversionary capitalisation rates	0.25	(7 700)
Decrease in reversionary capitalisation rates	0.25	8 200
Increase in discount rates	0.25	(7 800)
Decrease in discount rates	0.25	8 000
Increase in average market rental growth rates	0.25	700
Decrease in average market rental growth rates	0.25	(700)

B1.8 Mortgaged properties

First mortgage bonds have been registered over the investment property as security for secured interest-bearing borrowings.

		GROUP
		June 2021
	Note	**EUR'000**
Fair value of investment property mortgaged as security *Comprising: The Mall, City Center One East, City Center One West*		482 200
Secured borrowings (consolidated)	*C1.5*	252 562
Secured revolving credit facilities not drawn down	*C1.5*	-
Total secured borrowings		**252 562**

B1.9 Straight-line rental income accrual

Balance at the beginning of the year	1 816
Currency translation difference	-
Recognition of straight-line asset during the year	582
Balance at the end of the year	**2 398**

B. PROPERTY INVESTMENTS AND RELATED ITEMS continued

B2 PROPERTY, PLANT AND EQUIPMENT

B2.1 Accounting policy

Property, plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided on all property, plant and equipment to write down the cost to the estimated residual value, in equal monthly instalments over the estimated useful lives of the assets, at the following rates in the current and prior

Building appurtenances:	3 to 15 years
Tenant installations:	period of the lease

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if necessary. There were no adjustments to the above rates in the current and prior years.

Subsequent expenditure is capitalised when it is probable that future economic benefits will flow to the Group and the cost thereof can be reliably measured. All other expenditure is recognised as an expense in the period in which it is incurred.

Gains or losses on the disposal of property, plant and equipment are recognised in profit or loss and are calculated as the difference between the proceeds and the carrying value of the item sold.

B2.2 Net carrying value

	GROUP June 2021 EUR'000
Cost	
Building appurtenances	425
Tenant installations	3 274
Total cost	**3 699**
Accumulated depreciation	
Building appurtenances	(384)
Tenant installations	(1 063)
Total accumulated depreciation	**(1 447)**
Net carrying value	
Building appurtenances	41
Tenant installations	2 211
Total net carrying value	**2 252**

E2.3 Movement reconciliation - net carrying value

GROUP EUR'000	Building appurtenances	Tenant installations	Total PPE
Balance at 31 December 2020	**55**	**2 503**	**2 558**
Capital expenditure	1	-	**1**
Disposals	(0)	-	**(0)**
Depreciation	(16)	(293)	**(308)**
Balance at 30 June 2021	**41**	**2 211**	**2 252**

Notes to the consolidated special purpose financial statements

C1 BORROWINGS

C1.1 Accounting policy

Interest-bearing borrowings are initially measured at fair value, net of transaction costs. Interest-bearing borrowings are subsequently measured at amortised cost using the effective interest method

C1.2 Carrying value

	GROUP
	June 2021
	EUR'000
Secured Bank loans	**358 391**
Group company loans	**21 000**
Total borrowings	**379 391**

C1.3 Maturity profile

Non-current	**269 473**
Bank loans	248 473
Group company loans	21 000
Current	**109 917**
Bank loans	109 917
Group company loans	-
Total borrowings	**379 391**

C1.4 Movement reconciliation

Balance at the beginning of the period	387 582
Raising fees – amortised	167
Repayments during the year	(8 358)
Net interest accrued	
Balance at the end of the period	**379 391**

C1 BORROWINGS continued

C1.5 Individual facilities

Bank loans	Facility EUR'000	Maturity date	Initial term	Security	Base currency	Nominal interest %	Effective Interest %	GROUP June 2021 EUR'000
The Standard Bank of South Africa Ltd[2]	50 050	Mar-22	3 years	Secured[2]	EUR	1.61%	1.62%	50 038
FirstRand Bank Limited[1,2]	55 791	Nov-21	3 years	Secured[2]	EUR	1.94%	1.96%	55 791
Erste Group Bank AG / Raiffeisenlandesbank Oberösterreich Aktiengesellschaft[3]	171 600	Jun-23	5 years	Secured	EUR	3m EURIBOR + 2.75%	3.30%	170 217
DSK Bank EAD/OTP Bank PLC[3]	84 000	Dec-26	7 years	Secured	EUR	3m EURIBOR + 2.15%	2.12%	82 345
Total bank loans	**361 441**							**358 391**

[1] *The FirstRand loan was extended after the reporting date to 28 February 2022*

[2] *The loans are guaranteed by Hyprop Investments Limited which guarantee, is secured over certain of Hyprop's Investment properties.*

[3] The loans are secured against investment property as set out in note E1.8 – *Mortgaged properties* . Interest on all loans is paid monthly or quarterly as applicable. Capital is repayable on the loan maturity date.

Group company loans								
Hystead Limited	24 000	Jun-23	5.5 years	Unsecured	EUR	4.15%	4.15%	21 000
Total group company loans								**21 000**
Total borrowings								**379 391**

Undrawn facilities	EUR'000
Total group / company undrawn facilities at year end amount to:	-

D1 DEFERRED TAXATION

D1.1 Accounting policy

Deferred taxation is recognised for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxation is not recognised for the following temporary differences:

- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- Goodwill that arises on initial recognition in a business combination; and
- Differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

A deferred taxation asset is recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Deferred taxation assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefit will be realised.

Deferred taxation assets and liabilities are measured at the taxation rates that are expected to apply to the period when the asset is realised or the liability is settled, based on taxation rates and taxation laws that have been enacted or substantively enacted by the reporting date.

The effect of any changes in taxation rates on deferred taxation is recognised in profit or loss for the period, except to the extent that they relate to items previously charged or credited directly to other comprehensive income or equity.

Deferred taxation assets and liabilities are offset if there is a legally enforceable right to offset current taxation liabilities and assets, and they relate to income taxes levied by the same taxation authority on the same taxable entity.

D1.2 Key judgements and estimations

For key judgements and estimations applied to taxation refer to note A2.2

D1.3 Carrying value

	GROUP June 2021 EUR'000
Arising on:	
Investment property	38 352
Other temporary differences	(619)
Total deferred taxation	**37 733**

D1.4 Movement reconciliation

Balance at the beginning of the year	37 307
Movement through profit or loss	426
Property, plant and equipment and tenant installations	
Fair value of investment property	166
Other temporary differences	260
Balance at the end of the year	**37 733**

D1.5 Tax rates used

	GROUP June 2021 %
Bulgaria– temporary differences	10%
Bulgaria – investment property	10%
Croatia – temporary differences	18%
Croatia – investment property	18%

E1 TRADE AND OTHER PAYABLES

E1.1 Accounting policy

Trade and other payables are measured at amortised cost. Short-term payables are measured at the original invoice amount as the effect of discounting is immaterial.

E1.2 Carrying value

	GROUP
	June 2021
	EUR'000
Trade payables and accrued expenses	3 189
Tenant deposits	1 911
Gift cards	707
Corporate income tax liability	1 083
Provisions	41
Received advances	7
Rent received in advance	64
Value added tax (VAT)	608
Municipal accruals	347
Employee provisions	46
Other payables	180
Total trade and other payables	**8 183**

F. EVENTS AFTER THE REPORTING DATE

F1 Hystead Shareholders agreement and "Liquidity event"

Having regard to the liquidity event in the Hystead shareholders agreement, Hyprop Investments Limited, PDI Investment Holdings Limited and Hystead concluded an agreement on 27 January 2022 in terms of which, inter alia, Hyprop will acquire 100% of the shares in and shareholder claims against the company from Hystead (the transaction). These special purpose financial statements have been prepared for the purpose of complying with paragraph 13.16(a) of the JSE Listings Requirements. The acquisition is subject to the fulfilment of certain conditions precedent, including approval by Hyprop shareholders.

F2 Loan repayment and extension

EUR 38m of the EUR 56m loan which matured in November 2021, has been repaid, and the repayment date remaining EUR 18m has been extended to 28 February 2022, with the flexibility to extend it further to 31 May 2022, pending finalisation of the transaction noted in F1 above.
The extended loan continues to be guaranteed by Hyprop Investments Limited.

G. GOING CONCERN

The Group financial statements are prepared on the basis of accounting policies applicable to a going concern. This basis assumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

In assessing the Group’s ability to continue as a going concerns the board has reviewed the Group’s budgets and cashflow forecasts, available cash balances, existing unutilised and available new borrowing facilities, and the Group’s debt maturity profile. Cognisance was also taken of the ongoing effect the COVID-19 pandemic is having on the economies in which the Group operates and on the Group’s financial performance, and that the maturing borrowings are guaranteed by Hyprop Investments Limited.

For the six months ended 30 June 2021, the Group recorded a profit of EUR 7.5 million and the Group’s net income before value adjustments for the year was EUR 9.4 million. At 30 June 2021 the Group’s net asset value was EUR 79.4 million and the Group had cash balances of EUR 20.7 million resulting in a strong liquidity position.

At 30 June 2021 the Group’s current liabilities exceeded its current assets by EUR 97 million, due to borrowings which mature in less than one year (see note C1.3).

The Group, the Company, its holding company (including Hystead Limited and ultimate shareholders Hyprop and PDI) propose to settle the short-term borrowings from existing cash balances the proceeds from the disposal of other group assets and existing or new bank facilities. The process of refinancing the maturing borrowings has commenced with the part- settlement and extension of the loans detailed in F2 above and by Hyprop securing new bank facilities, of more than EUR 71 million, which may be utilised to settle the remaining short term borrowings. Hystead Limited is in the process of selling certain non-core assets, the proceeds of which (estimated to be EUR 90 million) are also intended to be utilised to settle the Group's short term borrowings.

Accordingly, the directors consider that the Group has adequate resources to continue operating for the ensuing 12 months and that it is appropriate to adopt the going concern basis in preparing the Group financial statements.