Iante Investments Socimi, S.A., (Sociedad Unipersonal) and subsidiaries

Consolidated Annual Accounts and Consolidated Management Report for financial year ende don 31 December 2020

Including the Audit Reporto n the Consolidated Annual Accounts

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INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

(Translation of a report and consolidated annual accounts originally issued in Spanish and prepared in accordance with Spanish generally accepted accounting principles. In the event of a discrepancy, the Spanish-language version prevails)

To the sole shareholder of Iante Investments Socimi, S.A., (Sociedad Unipersonal):

Opinion

We have audited the consolidated annual accounts of Iante Investments Socimi, S.A., (Sociedad Unipersonal), (the Parent company) and its subsidiaries, (the Group), which comprise the consolidated balance sheet of 31 December 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated annual accounts for the year then ended.

In our opinion, the accompanying consolidated annual accounts present, in all material respects, a true and fair view of the consolidated net equity and the consolidated financial position of the Group at 31 December 2020, and of the consolidated results of its operations and consolidated cash flows for the year then ended, in accordance with the applicable framework of financial reporting standards (which is identified in note 2 to the consolidated annual accounts) and, in particular, in compliance with the accounting principles and criteria contained in that framework.

Basis for Opinion

We conducted our audit in accordance with the current Spanish standards for auditing accounts. Our responsibilities under those standards are further described in the *Auditor´s responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are applicable to our audit of the consolidated annual accounts in Spain, as required by the regulations governing the auditing of accounts. In this regard, we have not provided any services different to the audit of accounts and no situations or circumstances have arisen that, based on the aforementioned regulations, might have affected the required independence in such a way that it could have been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Most relevant audit aspects

The most relevant audit aspects of the audit are those that, in our professional judgement, were considered as the most significant material misstatement risks in our audit of the consolidated annual accounts of the current period. These risks were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these risks.

Recognition and Valuation of Real Estate Investments.

As detailed in note 8 of the attached notes to the consolidated financial statements, as of 31 December 2020, the Group has registered under the heading Investments Properties real estate assets amounting to EUR 166,173 thousand.

In the light of the regulatory framework of financial information that is applicable, Investments Properties will be valued for their cost at the time of their acquisition, either the purchase price or the cost of production. In addition, in those fixed assets who need a period of time longer than one year to be in conditions of use, the costs that have accrued before the start-up of operating conditions or that improve the useful life of real estate investments shall be included in the purchase price or cost of production. Subsequently, they will be valued at the acquisition price reduced by the accumulated depreciation and impairment losses experienced. At least at the end of the financial year, the existence of evidence of impairment must be assessed and, where appropriate, the estimation of the recoverable amount, understood as the largest amount between its fair value minus the costs of sale and its value in use, making the necessary valuation corrections, if applicable.

The relevance of the amounts recorded by the Group in the 2020 financial year under the heading of Investments Properties and the risk that any real estate investment will deteriorate, as well as the weight that said heading has on the total asset at the end of the financial year, makes us consider the registration and valuation of real estate investments as the most relevant aspect of our audit.

In this regard, we have carried out a series of audit tests, through the application, inter alia, of the following procedures:

- Obtaining supporting documentation regarding the cost of acquiring the properties maintained by the Group companies, verification of the distribution between ground and flight made and the recalculation of their net book value at the closing date of the consolidated annual accounts.

- We have verified that management has applied the requirements set out in the applicable financial reporting framework relating to the realization of estimates of useful lives.

- Verification of the criteria used by the Group to determine whether or not impairment is necessary in investments.

- We have obtained and reviewed the valuation reports of the main real estate investments made by independent experts, to corroborate the non-deterioration. We have reviewed the valuation model and discount rates used and whether the projected cash flows are in line with the current leases agreements.

- We have evaluated the competence and capacity of the experts, as well as obtaining a confirmation of their independence.

- We have evaluated that the information disclosed in the consolidated annual accounts is sufficient and adequate in accordance with the applicable financial reporting regulatory framework.

Other information: Consolidated directors’ report

Other information comprises exclusively the consolidated directors´ report for the 2020 financial year. The directors of the Parent company are responsible for preparing this report, which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated directors’ report. In accordance with the regulations governing the auditing of accounts, our responsibility regarding the consolidated directors’ report includes evaluating and reporting on the consistency of the consolidated directors’ report with the consolidated annual accounts, based on the knowledge of the Group obtained during our audit of those accounts, as well as evaluating and reporting on whether the content and presentation of the consolidated directors’ report meet the requirements of the applicable regulations. If, as a result of our work, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described in the preceding paragraph, the information contained in the consolidated directors report is consistent with that disclosed in the consolidated annual accounts for the year 2020 and its content and presentation meet the requirements of the applicable regulations.

Responsibility of the directors of the Parent company in relation to consolidated annual accounts.

The directors of the Parent company are responsible for the preparation of the accompanying consolidated annual accounts, so that they show a true and fair view of the consolidated equity, the consolidated financial position and the consolidated results of the Group, in accordance with the framework of financial reporting standards applicable to the Group in Spain and for such internal control that they consider necessary to enable the preparation of consolidated annual accounts that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated annual accounts, the directors of the Parent company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Parent company either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities in relation to the audit of consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts 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 the current Spanish regulations for auditing accounts 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 annual accounts.

As part of an audit in accordance with the regulations regulating the audit activity in force in Spain, we apply our professional judgment and maintain an attitude of professional scepticism throughout the audit. Also:

- Identify and assess the risks of material misstatement in the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures to respond 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 the accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Parent company.

- Conclude on the appropriateness of the directors of the Parent company's 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention to this in our auditor's report to the related disclosures in the consolidated annual accounts 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.

- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

- 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 annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the administrators of the Parent Company regarding, among other issues, the scope and timing of the planned audit and significant audit findings, as well as any significant deficiencies in the internal control we identified in the course of the audit.

From the significant risks communicated to the directors of the Parent company, we determine those risks that were of most significance in the audit of the consolidated annual accounts of the current period and are, therefore, the risks considered most significant.

We describe these risks in our auditor's report unless law or regulation precludes public disclosure about the matter.

Grant Thornton, S.L.P., Sociedad Unipersonal

ROAC nº S0231

Marta Alarcón Alejandre

ROAC nº 16086

28th June, 2021

IANTE INVESTMENTS SOCIMI, S.A.U. and subsidiaries
CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2020

(Figures expressed in euros)

ASSETS	Note	31.12.2020	31.12.2019
NON-CURRENT ASSETS		**166,652,539**	**154,489,335**
Intangible assets	**6**	**1,609**	**1,813**
Property, plant and equipment	**7**	**54,745**	**215,715**
Plant and other itmes of property, plant and equipment		54,745	91,681
Property, plant and equipment in the course of construction and advances		-	124,034
Investment property	**8**	**166,175,503**	**153,691,829**
Land		68,562,333	66,190,482
Buildings		80,383,988	75,413,241
Investment property in progress		17,229,182	12,088,106
Non-current financial investments	**10**	**232,952**	**131,328**
Other financial assets		232,952	131,328
Deferred tax assets	**17**	**-**	**236,121**
Goodwill	**5**	**187,730**	**212,530**
CURRENT ASSETS		**20,266,633**	**21,916,243**
Inventory		**7,427**	**490,008**
Advances to suppliers		7,427	490,008
Trade and other receivables	**11**	**945,936**	**1,124,699**
Customers from sales and services rendered	10	151,136	204,271
Other receivables	10	8,959	16,105
Current tax assets	17	-	13,833
Other accounts receivable from public authorities	17	785,841	890,462
Staff		-	28
Current financial investments	**10**	**17,408,446**	**18,028,956**
Loans to companies	10 y 20	61,011	42,356
Values representing debts	10	16,322,775	15,752,951
Other financial assets	**10**	1,024,660	2,233,649
Short-term accruals		**254,467**	**16,762**
Cash and other cash equivalents	**13**	**1,650,357**	**2,255,818**
Cash in hand and at banks		1,650,357	2,255,818
TOTAL ASSETS		**186,919,172**	**176,405,579**

IANTE INVESTMENTS SOCIMI, S.A.U. and subsidiaries
CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2020

(Figures expressed in euros)

EQUITY AND LIABILITIES	Note	31.12.2020	31.12.2019
EQUITY		**(9,923,978)**	**6,281,605**
Shareholders' equity		**(10,347,748)**	**5,946,882**
Share Capital	**14.1**	**5,000,000**	**15,000**
Reserves		**-**	**(550,918)**
Prior years' losses		-	(550,918)
Reserves in consolidated companies	**14.3**	**(7,321,018)**	**(2,043,709)**
Other shareholder contributions	**14.2**	**6,757,353**	**17.456.960**
Profit/Loss for the year attributable to the parent company		**(14,784,083)**	**(8,930,452)**
Consolidated profit/(loss)		(14,661,497)	(8,874,166)
Minority interest profit/(loss)		122,586	56,286
Minority Interests	**14.5**	**423,770**	**334,723**
NON-CURRENT LIABILITIES		**141,542,576**	**118,426,859**
Non-current payables	**15**	**60,710,921**	**56,903,323**
Bank loans		60,220,433	51,624,161
Other financial liabilities		490,488	5,279,162
Non-current payables to group companies and associates	**15 y 20**	**80,831,655**	**61,523,537**
Other debts		80,831,655	61,523,537
CURRENT LIABILITIES		**55,300,574**	**51,697,115**
Current payables	**15**	**6,946,854**	**727,678**
Bank loans		1,587,905	264,597
Obligations under finance leases		-	19,553
Other financial liabilities		5,358,949	443,528
Current payables to group companies and associates	**15 y 20**	**46,256,544**	**49,646,555**
Other debts		46,256,544	49,646,555
Trade and other payables	**16**	**2,097,176**	**1,317,892**
Payable to suppliers	15	-	61,588
Sundry payables	15	1,767,580	959,529
Staff costs (remuneration payable)	15	-	126,295
Current tax liabilities	17	91,006	42,738
Other payables to Public Authorities	17	201,421	127,742
Customer advances	15	37,169	-
Short-term accruals		**-**	**4,991**
TOTAL EQUITY AND LIABILITIES		**186,919,172**	**176,405,579**

IANTE INVESTMENTS SOCIMI, S.A.U. and subsidiaries
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

(Figures expressed in euros)

	Note	2020	2019
Revenue	**18.1**	**3,901,714**	**2,389,238**
Services rendered		3,901,714	2,389,238
Other operating income		**134,695**	**38,604**
Non-core and other current operating income		134,695	38,604
Personnel costs	**18.2**	**(1,622,176)**	**(1,186,820)**
Wages, salaries and similar expenses		(1,429,667)	(1,044,375)
Social security		(192,509)	(142,445)
Other operating expenses	**18.3**	**(7,191,098)**	**(3,671,283)**
Operating expenses		(6,531,343)	(3,464,588)
Impairment losses on trade receivables		(226,293)	-
Taxes other than Income tax		(433,462)	(206,695)
Depreciation and amortisation	**18.4**	**(1,899,983)**	**(1,299,712)**
Impairment and gains of non-current assets	**8**	**(1,198,910)**	**49,970**
Impairment of non-current assets		(1,198,910)	-
Gains or losses on disposals and other		-	49,970
Other profit/(losses)		**(12,324)**	**(4,833)**
PROFIT/(LOSS) FROM OPERATIONS		**(7,888,082)**	**(3,684,835)**
Finance income		**241,881**	**460,140**
Other financial income	**19.2 y 10**	241,881	460,140
Financial costs		**(7,963,809)**	**(5,588,231)**
On debts to Group companies and associates	**19.1 y 20**	(6,702,445)	(5,075,471)
On debts to third parties	**15 y 19.1**	(1,261,364)	(468,349)
Other finance costs		-	(44,411)
Exchange differences		**(2,989)**	**-**
Other finance income	**8**	**1,278,629**	**-**
Capitalization of financial costs		1,278,629	-
FINANCIAL LOSS		**(6,446,288)**	**(5,128,091)**
PROFIT/(LOSS) BEFORE TAX		**(14,334,370)**	**(8,812,926)**
Income tax	**17**	**(327,127)**	**(61,240)**
PROFIT/(LOSS) AFTER TAX FOR THE YEAR FROM CONTINUING OPERATIONS		**(14,661,497)**	**(8,874,166)**
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR		**(14,661,497)**	**(8,874,166)**
Profit/(loss) attributable to the parent company		(14,784,083)	(8,930,452)
Profit/(loss) attributable to non-controlling interests		122,586	56,286

IANTE INVESTMENTS SOCIMI, S.A.U. and subsidiaries
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

(Figures expressed in euros)

A) CONSOLIDATED STATEMENT OF INCOME AND EXPENSES FOR THE FISCAL YEAR ENDED 31 DECEMBER 2020

	2020	2019
Consolidated profit/(loss) for the year	**(14,661,497)**	**(8,874,166)**
TOTAL RECOGNISED CONSOLIDATED INCOME AND EXPENSE	**(14,661,497)**	**(8,874,166)**

B) CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share Capita	Reserves and Profit/(Losses) from prior years	Other shareholder contributions	Reserves in Consolidated companies	Profit/(loss) attributable to the parent	Minority Interests	TOTAL
ADJUSTED BALANCE, START OF 2019	**15,000**	**(808)**	**7,211,960**	**-**	**(2,593,818)**	**278,437**	**4,910,771**
Total recognised consolidated income and expenses	-	-	-	-	(8,930,452)	56,286	**(8,874,166)**
Other changes in equity	-	-	10,245,000	-	-	-	**10,245,000**
Distribution of profit/(loss)	-	(550,110)	-	(2,043,708)	2,593,818	-	-
2019 ENDING BALANCE	**15,000**	**(550,918)**	**17,456,960**	**(2,043,708)**	**(8,930,452)**	**334,723**	**6,281,605**
ADJUSTED BALANCE, START OF 2020	**15,000**	**(550,918)**	**17,456,960**	**(2,043,708)**	**(8,930,452)**	**334,723**	**6,281,605**
Total recognised consolidated income and expenses	-	-	-	-	(14,784,083)	122,586	**(14,661,497)**
Other changes in equity	-	4,738,507	(4,738,507)	(534,447)	-	(33,539)	**(567,986)**
Other transactions with shareholders	4,985,000	-	(5,961,100)	-	-	-	**(976,100)**
Distribution of profit/(loss)	-	(4,187,589)	-	(4,742,863)	(8,930,452)	-	-
2020 ENDING BALANCE	**5,000,000**	**-**	**6,757,353**	**(7,321,018)**	**(14,784,083)**	**423,770**	**(9,923,978)**

IANTE INVESTMENTS SOCIMI, S.A.U. and subsidiaries
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

(Figures expressed in euros)

	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		**(3,984,320)**	**(11.560.851)**
Profit/(Loss) for the year before tax		**(14,334,370)**	**(8.812.926)**
Adjustments to Profit/(Loss)		**10,421,513**	**6,382,666**
Depreciation and amortisation	18.4	1,899,983	1,299,712
Impairment losses	8	1,425,203	-
Gains/(Losses) on derecognition and disposal of non-current assets		-	(49,970)
Finance income	19	(1,520,510)	(460,140)
Financial costs	19	7,963,809	5,588,231
Exchange differences		2,989	-
Other income and expenses		650,039	4,833
Changes in working capital:		**1,206,841**	**(3,447,570)**
Inventories		-	(487,372)
Debtors and other receivables		(61,362)	(740,592)
Other current assets		(4,736)	(17,457,529)
Creditors and other payables		1,365,239	216,703
Other current liabilities		(142,185)	-
Other non-current assts and liabilities		49,885	15,021,220
Other cash flows from opertating activities:		**(1,278,304)**	**(5,683,021)**
Interest paid		(1,261,364)	(6,148,071)
Interest collected		11,965	460,140
Income tax recovered / (paid)		(28,905)	4,910
CASH FLOWS FROM INVESTMENT ACTIVITIES		**(14,090,730)**	**(101,721,292)**
Payments due to investments:		**(15.305.965)**	**(101,721,292)**
Property, plant and equipment	7	(3.924)	(187,616)
Investment property	8	(14,997,049)	(101,533,676)
Other financial assets		(304,992)	-
Proceeds from divestments:		**1,215,235**	**-**
Other financial assets	10	1,215,235	-
CASH FLOWS FROM FINANCING ACTIVITIES		**17,469,589**	**113,424,852**
Proceeds and payments relating to equity instruments:		**1,328,900**	**1,0245,000**
Issue of equity instruments	14	1,998,900	10,245,000
Acquisition of minority interest	20	(670,000)	-
Proceeds and payments relating to financial liabilitiy instruments:		**16,140,689**	**103,179,852**
Proceeds from bank loans	15	10,853,821	51,908,310
Proceeds from debts with group affiliates and associated companies	20	16,333,118	46,048,511
Other debts	15	-	5,223,031
Payments related to bank loans	15	(953,794)	-
Payments related to debt with group affiliates and associated companies	20	(10,092,456)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(605,461)**	**(142,709)**
Cash and cash equivalents at the beginning of the year		2,255,818	2,113,109
Cash and cash equivalents at the end of the year		1,650,357	2,255,818

1. Activities and general information

1.1. Parent Company

The Company IANTE INVESTMENTS SOCIMI, S.A.U. (doing business as Iante Investments, S.A.U. until 27 March 2019), hereinafter, the "Company" or the "Parent Company", is a Spanish company with registered address at at Calle Maldonado, 4 Madrid (Madrid), with tax identification number A87870929, incorporated indefinitely by deed notarised by notary public Fernando Fernández Medina in Madrid on 6 July 2017 under number 1,911 of his protocol, registered in the Madrid Commercial Register in volume 36,179, Page 161, Section 8, Sheet M-650168, Entry 1, that conducts its activities in Madrid and acts as a portfolio company

The Company is controlled by AEREF V IBERIAN RESIDENTIAL HOLDINGS, S.a.r.l., whose parent company is AEREF V Master, S.a.r.l. The registered address of AREF V IBERIAN RESIDENTIAL HOLDINGS, S.a.r.l. and AEREF V Master S.à.r.l. is 14-16 Avenue Pasteur L-2310, Luxembourg for both companies.

La Company has the following corporate purposes:

1. The acquisition and promotion of urban real estate properties for leasing thereof.
2. Holding of shares in the capital of other listed companies investing in the real estate market ("REITs") or in other entities not residing in Spanish territory that have the same purpose as those and that are subject to a special regime similar to that established for the REITs in terms of mandatory, legal or statutory policies regarding profit distribution.
3. The holding of equity interests in other resident or non-resident entities in Spain whose corporate purpose is to acquire urban properties for subsequent leasing, and that operate under the same regime as that established for REITs with respect to the mandatory profit distribution policy enforced by law or by the Articles of Association, and that fulfil the investment requirements referred to in section 3 of Spanish Law 11/2009, of 26 October, regulating real estate investment trusts [REIT Act 2009, Ley 11/2009, de sociedades anónimas cotizadas de inversión en el mercado inmobiliario.].
4. Holding shares in Real Estate Collective Investment Institutions that are regulated in Spanish Law 35/2003 of 4 November, on Collective Investment Institutions [Collective Investment Institution Act, Ley 35/2003, de Instituciones de Inversión Colectiva].

In addition, the Company may also conduct other complementary activities that represent, in general, less than twenty percent (20%) of the Company's income in each tax period (including, without limitation, real estate transactions other than those mentioned in the paragraphs [a] to [d] above), and those that may be considered ancillary in accordance with the applicable law at any time.

Pursuant to Title I, Chapter III of the Spanish Corporate Enterprises Act [Ley de Sociedades de Capital], the Parent Company has registered its single-member company status, and its sole shareholder is the company AEREF V Iberian Residential Holdings S.a.r.l.

The Company is included under the regime regulated by REIT Act 2009, amended by Spanish Law 16/2016, of 27 December regulating Real Estate Investment Trusts [REIT Act 2016, Ley 16/2012 de 27 de diciembre por el que se regulan las Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario], due to adhering to this special regime as of 1 January 2018.

The consolidated annual financial statements for Iante Investments SOCIMI, S.A.U. and subsidiaries for the year ended 31 December 2019 were prepared and issued by the Parent Company's Directors on 27 April 2020 and were approved by the Sole Shareholder on 19 May 2020 and filed in the Commercial Register of Madrid. As of 31 December 2020, Iante Investments SOCIMI, S.A.U. is the Parent Company of the Iante Investments SOCIMI, S.A.U. and Subsidiaries Group (the "Group") comprised of ten companies.

For the purposes of preparing these consolidated financial statements, a group is considered to exist when a Parent Company has one or more subsidiaries over which the Parent Company has direct or indirect control. The accounting principles applied in preparing the Group's consolidated financial statements as well as its scope of consolidation are detailed in Notes 1.2 and 2.

On 11 March 2020, the World Health Organisation increased the public health situation of emergency resulting from the coronavirus (COVID-19) outbreak to the level of an international pandemic. During the year 2020, the Government of Spain, among other measures, declared the state of alarm trough the Royal Decree 463/2020, of 14 march, which was lifted on 1 July 2020, and through the approval of a number of urgent extraordinary measures to face the economic and social impact of COVID-19, through, among others the Royal Decree-law 8/2020, of 17 march.

As of the date of preparation of the consolidated financial statements, the state of alarm is still in force as declared in the Royal Decree 926/2020, of 25 October, approved initially until 9 November 2020 and subsequently extended up until 9 May 2020 through Royal Decree 956/2020, of 3 November.

1.2. Subsidiaries

Subsidiaries are all of the entities, including special purpose vehicles, over which the Group directly or indirectly has or may have control, which is understood as the power to govern the financial and operating policies of a business so as to obtain economic benefits from its activities. When assessing whether the Group controls another entity the existence and effect of any potential voting rights that may currently be exercised or converted are taken into account. Subsidiaries are consolidated from the date on which control passes to the Group, and are excluded from consolidation on the date on which control ceases to exist.

The breakdown of the Group's subsidiaries at 31 December 2020 is as follows:

Name and address	Shares		Company holding direct stake	Date incorporated into the Group	Consolidation method	Activity
	Amount (Euros)	Nominal %				
Muflina Investments, SOCIMI, S.L.U. (*) Maldonado 4, Madrid	14,320,840	100%	Iante Investments SOCIMI, S.A.U.	28/05/2018	Full Consolidation	Real Estate
Pinarcam Vivienda Joven Socimi S.L.U. (*) Maldonado 4, Madrid	2,061,446	100%	Iante Investments SOCIMI, S.A.U.	20/12/2018	Full Consolidation	Real Estate
Avalon Properties, S.L. (*) Ortega y Gasset 21, Madrid.	1,172,000	55,10%	Iante Investments SOCIMI, S.A.U.	27/07/2018	Full Consolidation	Corporate

Name and address	Shares		Company holding direct stake	Date incorporated into the Group	Consolidation method	Activity
	Amount (Euros)	Nominal %				
Dalandia Investments, S.L.U. (*) Maldonado 4, Madrid	6,404,000	100%	Iante Investments SOCIMI, S.A.U.	15/02/2019	Full Consolidation	Real Estate
Burgo de Buenavista Gestión SOCIMI, S.L.U., (*) Maldonado 4, Madrid	2,718,142	100%	Iante Investments SOCIMI, S.A.U.	21/02/2019	Full Consolidation	Real Estate
Compañía Europea de Arrendamientos Urbanos SOCIMI, S.L.U. (*) Maldonado 4, Madrid	14,908,303	100%	Iante Investments SOCIMI, S.A.U.	14/06/2019	Full Consolidation	Real Estate
Nuciva Investments, S.L.U. (*) Maldonado 4, Madrid	2,213,000	100%	Iante Investments SOCIMI, S.A.U.	15/11/2019	Full Consolidation	Real Estate
Zonko Investments, S.L.U. (*) Maldonado 4, Madrid	366,000	100%	Iante Investments SOCIMI, S.A.U.	08/03/2019	Full Consolidation	Real Estate
Jurisa Investments, S.L.U. (*) Maldonado 4, Madrid	7,753,000	100%	Iante Investments SOCIMI, S.A.U.	10/07/2019	Full Consolidation	Real Estate

El detalle de sociedades dependientes del Grupo a 31 de diciembre de 2019 es el siguiente:

Name and address	Shares		Company holding direct stake	Date incorporated into the Group	Consolidation method	Activity
	Amount (Euros)	Nominal %				
Muflina Investments SOCIMI, S.L.U. (*) Maldonado 4, Madrid	33,820,840	100%	Iante Investments SOCIMI, S.A.U.	28/05/2018	Full Consolidation	Real Estate
Pinarcam Vivienda Joven SOCIMI, S.L.U. (*) Maldonado 4, Madrid	5,871,446	100%	Iante Investments SOCIMI, S.A.U.	20/12/2018	Full Consolidation	Real Estate
Avalon Properties, S.L. (*) Ortega y Gasset 21, Madrid.	500,000	50,10%	Iante Investments SOCIMI, S.A.U.	27/07/2018	Full Consolidation	Corporate
Dalandia Investments, S.L.U. (*) Maldonado 4, Madrid	8,169,000	100%	Iante Investments SOCIMI, S.A.U.	15/02/2019	Full Consolidation	Real Estate
Burgo de Buenavista Gestión S.L.U., (*) Maldonado 4, Madrid	2,467,892	100%	Iante Investments SOCIMI, S.A.U.	21/02/2019	Full Consolidation	Real Estate
Compañía Europea de Arrendamientos Urbanos, S.L.U. (*) Maldonado 4, Madrid	18,500,000	100%	Iante Investments SOCIMI, S.A.U.	14/06/2019	Full Consolidation	Real Estate
Nuciva Investments, S.L.U. (*) Maldonado 4, Madrid	3,000	100%	Iante Investments SOCIMI, S.A.U.	15/11/2019	Full Consolidation	Real Estate
Zonko Investments, S.L.U. (*) Maldonado 4, Madrid	16,953,000	100%	Iante Investments SOCIMI, S.A.U.	08/03/2019	Full Consolidation	Real Estate
Jurisa Investments, S.L.U. (*) Maldonado 4, Madrid	3,000	100%	Iante Investments SOCIMI, S.A.U.	10/07/2019	Full Consolidation	Inmobiliaria

(*) Audited by Grant Thornton, S.L.P.

These companies are consolidated for the reasons included in Article 2 of the standards for the preparation of consolidated financial statements which are as follows:

1. When the Parent Company, in relation to another company (subsidiary) is in one of the following situations:

   -The parent holds the majority of voting rights.

   -The parent has the power to appoint or dismiss the majority of the directors.

   -The parent may, through agreements entered into with other shareholders, control the majority of the voting rights.

   -The parent has appointed with its votes the majority of the directors who discharge their position at the time these consolidated financial statements were prepared and during the two immediately preceding years. This situation is understood to exist when the majority of the members of the managing body of the subsidiary are members of the managing body or senior executives of the parent or of another company controlled by the parent.

2. When a Parent holds hald or less of the voting rights, including when it barely has an ownership interest or does not have an ownership interest in another company, or when the management power has not been specified (special purpose vehicles), but participates in the risks and rewards of the company, or has the ability to take part in the operating and financial decisions thereof.

In compliance with section 155 of the Corporate Enterprises Act, the Parent Company has notified all of these companies that, on its own or through another subsidiary, possesses more than 10% of the capital.

As with the parent company, the financial year of all the above-mentioned subsidiaries included in the scope of consolidation ends on 31 December.

1.3. REIT regime

The Parent Company and the subsidiaries Muflina Investments SOCIMI, S.L.U., Pinarcam Vivienda Joven SOCIMI, S.L.U., Burgo de Buenavista Gestión SOCIMI, S.L.U. and Compañía Europea de Arrendamientos Urbanos SOCIMI, S.L.U. are governed by REIT Act 2009, 11/2009 of 26 October, as amended by Spanish Law 16/2012, of 27 December, regulating REITs (REIT Act 2012). Sections 3 to 6 of that Act establish the main requirements and obligations that this type of companies must satisfy:

Investment Requirements (Art.3)

a) REITs must have invested at least 80% of the value of their assets in urban properties earmarked for lease, in land to develop properties to be earmarked for that purpose, provided that development begins within three years following its acquisition, and in equity investments in other companies referred to in section 2.1 of the aforementioned Act.

   This percentage is calculated based on consolidated profit if the company is a Parent of a group, as defined under section 42 of the Spanish Commercial Code (Código de Comercio), irrespective of the place of residence and the obligation to prepare annual financial statements. Such a group must only comprise the REITs and the other entities referred to in section 2.1 of REIT Act 2009.

b) Similarly, at least 80% of the income for the tax period for each year, excluding that arising from the disposal of shareholdings and properties used in the compliance of its main corporate purpose, once the holding period referred to below has elapsed, should come from the lease of properties and from dividends or shares in profit from these investments:

This percentage is calculated based on consolidated profit/loss if the company is a Parent of a group, as defined under section 42 of the Commercial Code, irrespective of the place of residence and the obligation to prepare annual financial statements. Such a group must only comprise the REITs and the other entities referred to in section 2.1 of REIT Act 2009.

c) The properties that form part of the Group companies' assets must remain leased for at least three years. The time during which the properties have been made available for lease, up to a maximum of one year, will be included for the purposes of this calculation.

In this regard, the period will be calculated:

- For properties that are included in the Group companies' assets before the company applies the regime, from the beginning of the first tax period in which the special tax regime set forth in this Act is applied, provided that the property is leased or offered for lease at that date. Otherwise, the following letter will apply.

- For properties developed or acquired subsequently by the Group companies, from the date on which they were leased or made available for lease for the first time.

In the case of shares or investments in entities referred to in section 2.1 of this Act, they must be retained on the asset side of the Group companies' balance sheet for at least three years following their acquisition or, where applicable, from the beginning of the first tax period in which the special tax regime set forth in this Act is applied.

As established in Transitional Provision One of REIT Act 2009, as amended by REIT Act 2012, REITs may opt to apply the special tax regime in accordance with section 8 of this Act, even if they do not meet the requirements established therein, provided that such requirements are met within two years of the date they opt to apply the aforementioned regime.

In the event of a breach of any of the conditions, the Group companies would be switched to paying taxes under the general regime so long as the deficiency is not rectified in the year after the breach.

<u>Obligation to distribute profits (Section 6)</u>

Once the commercial and corporate requirements are fulfilled, the Group companies must distribute as dividends:

- 100% of the profit from dividends or shares in profit distributed by the entities referred to in section 2.1 of this Act.

- At least 50% of the profit generated from the transfer of property and shares or investments referred to in section 2.1 of REIT Act 2009, once the minimum holding periods have elapsed, subject to compliance of its main corporate purpose. The rest of the profit must be reinvested in other properties or shares subject to compliance with the corporate purpose of the REIT, within a period of three years following the date of transfer.

- At least 80% of the remaining profits obtained. When dividend distributions are charged to reserves generated from profits in a year in which the special tax regime applied, the distribution must necessarily be approved as set out above.

The dividend distribution resolution must be passed in the first six months after the close of each year, and the dividends must be paid out within one month of the date of the distribution resolution.

The income tax rate for REITs is 0%. However, where the dividends that the REIT distributes to its shareholders holding an ownership interest exceeding 5% are exempt from tax or are subject to a tax rate lower than 10%, the REIT will be subject to a special charge of 19%, which will be considered to be the income tax charge, on the amount of the dividend distributed to these shareholders. If deemed applicable, this special charge must be paid by the REIT within two months after the dividend distribution date.

If so required, each Group company's annual financial statements cover the information obligations provided in REIT Act 2009.

2. Basis of presentation of the consolidated financial statements

2.1. Fair presentation

The consolidated financial statements, comprised by the consolidated balance sheet, the consolidated income statement, the consolidated statement of changes in net equity, the consolidated statement of cash flows, the consolidated directors' report and the consolidated notes to the financial statements comprising notes 1 to 27, have been prepared based on the accounting records.

These consolidated financial statements were prepared in accordance with the prevailing corporate and commercial law included in the Commercial Code amended in accordance with Spanish Law 16/2007, of 4 July, on reform and adaptation of accounting-related corporate and commercial law for international harmonisation in accordance with Union Law, Spanish Royal Decree 1514/2007, of 20 November, approving the Spanish National Chart of Accounts (Plan General de Contabilidad), and Spanish Royal Decree 1159/2010, of 17 September, approving the rules for the preparation of consolidated financial statements and its subsequent amendments and Spanish Royal Decree 602/2016, and with the Sector Adaptation for Real Estate Companies, to present fairly the Group's equity and financial position, as well as the accuracy of the cash flows included in the consolidated statement of cash flows.

Unless otherwise indicated, all amounts disclosed in the notes to these consolidated financial statements are expressed in euros.

These consolidated financial statements, which were formally prepared by the Parent's Directors, will be submitted for approval by the shareholders at the General Meeting and it is considered that they will be approved without any changes.

2.2. Accounting principles

The consolidated financial statements were prepared in accordance with obligatory accounting principles. All accounting principles with a significant effect on the financial statements were applied in their preparation.

2.3. Key issues in relation to the valuation and estimation of uncertainty

In preparing the accompanying consolidated financial statements, estimates were made by the Company's Directors in order to measure certain assets, liabilities, income, expenses and obligations reported to them. These estimates relate basically to the following:

- The useful life of investment properties (Note 4.5).

- The assessment of possible impairment losses on certain assets (Note 4.5).

- The calculation of provisions, and the likelihood of occurrence, and the amount of undetermined or contingent liabilities (Note 4.9).

- The Parent Company and certain subsidiaries have availed themselves of the regime established under , of 26 October, amended by the REIT Act 2016REIT Act 2009, which, in practice, means that, provided certain requirements are met, the Parent Company and the subsidiaries are subject to an income tax rate of 0%. The Directors monitor compliance with the relevant legal requirements for the purpose of securing the tax advantages established therein. In this regard, the Directors consider that these requirements have been met at 31 December 2020 and 2019, and no results need to be recorded due to corporation tax (see note 4.8). The other companies not subject to the regime described above will analyse the provisions for future tax earnings that make it likely to apply assets from deferred taxes (see note 4.8).

These estimates were made based on the best information available up until the date of preparation of these consolidated financial statements, as there was no event that could change these estimates. Any future event unknown at the date of preparation might make it necessary to change these estimates (upwards or downwards), which would be recognised prospectively as appropriate.

2.4. Comparative information

In accordance with commercial law, with each of the items in the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and the consolidated statement of cash flows, in addition to the figured for the financial year 2020, those relating to the prior year are also submitted for comparison. The notes to the consolidated financial statements also include quantitative information from the previous year, except when an accounting standard specifically establishes that it is not necessary.

2.5. Grouping of headings

Certain items in the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows are grouped together to facilitate their understanding; however, whenever the amounts involved are material, the information is broken down in the related notes to the consolidated financial statements.

2.6. Current and non-current classification

Items due to be settled within a maximum of one year from the date of these consolidated financial statements are classified as current.

2.7. Going-concern principle

At the close of 2020, the Group recorded losses that have worsened its financial situation, and it had a negative consolidated working capital amounting to €35 million (-€30 million in 2019), with its current liabilities including €46 million in debt to group companies (€49 million in 2019).

The Directors of the Parent Company believe that this situation is reasonable in a newly-created Group that has yet to become fully operational. Likewise, as mentioned in Note 26, different transactions have been completed after the year-end aimed to strengthen the financial situation of the Group, having financing available both from external and group sources which allow to cover the cash needs in the near future.

Additionally to this, as mentioned in note 8, the real estate assets owned by the Group have latent capital gains which are not reflected on an accounting basis following the accounting principles that are applicable to the Group.

When combined with the express support from its parent company, this situation will allow the Group to normalise its financial situation in the short-term. Therefore, the consolidated financial statements have been presented based on the principle of a going concern that presumes the realisation of assets and the liquidation of liabilities in the normal course of operations.

2.8. Changes in the scope of consolidation

No changes to the scope of consolidation have taken place during financial year 2020.

The following companies were added to the consolidation perimeter in 2019:

Name and address	Shares		Shareholder Company	Date incorporated into the Group	Consolidation method	Activity
	Amount (Euros)	Nominal %				
Dalandia Investments, S.L.U. (*) Maldonado 4, Madrid	8.169.000	100%	Iante Investments Socimi S.A.U.	15/02/2019	Integración Global	Real Estate
Burgo Buenavista Gestión S.L.U., (*)(*) Maldonado 4, Madrid	2.467.892	100%	Iante Investments Socimi S.A.U.	21/02/2019	Integración Global	Real Estate
Compañía Europea de Arrendamientos Urbanos, S.L.U. (*) Maldonado 4, Madrid	18.500.000	100%	Iante Investments Socimi S.A.U.	14/06/2019	Integración Global	Real Estate
Nuciva Investments, S.L.U. (*) Maldonado 4, Madrid	3.000	100%	Iante Investments Socimi S.A.U.	15/11/2019	Integración Global	Real Estate
Zonko Investments, S.L.U. (*) Maldonado 4, Madrid	16.953.000	100%	Iante Investments Socimi S.A.U.	08/03/2019	Integración Global	Real Estate
Jurisa Investments, S.L.U. (*) Maldonado 4, Madrid	3.000	100%	Iante Investments Socimi S.A.U.	10/07/2019	Integración Global	Real Estate

No subsidiaries left the consolidation perimeter in 2019.

3. Proposal for distribution of profit/(loss) from the Parent Company:

The proposal for distribution of profits/(loss) from the Parent Company that the Board of Directors will present to the Sole Shareholder is as follows:

	Euros 2020	Euros 2019
Basis for distribution		
Profit/(loss)	(5,658,517)	(4,171,353)
Application		
Prior years' losses	(5,658,517)	(4,171,353)

On 19 May 2020, the Sole Shareholder approved the application of the Parent Company losses for the financial year 2019 which amounted to 4,171,353 against Prior years' losses.

4. Accounting standards and measurement bases

The main accounting policies and measurement bases used in the preparation of the consolidated financial statements were as follows:

4.1. Subsidiaries

Acquisition of control

Acquisition by the Parent (or another Group company) of control of a subsidiary constitutes a business combination that is recognised in accordance with the acquisition method. This method requires the acquiring company to recognise, at the date of acquisition, the identifiable assets acquired and the liabilities assumed in the business combination, and, where applicable, the corresponding goodwill or negative difference. Subsidiaries are consolidated from the date on which control passes to the Group, and are excluded from consolidation on the date on which control ceases to exist.

The acquisition cost is calculated as the sum of the fair values on the date of acquisition of the assets delivered, the liabilities incurred or assumed and the equity instruments issued by the acquirer and the fair value of any contingent consideration that depends on future events or the fulfilment of certain conditions that must be recognised as an asset, liability or equity based on its nature.

The expenses related to issuing the equity instruments or the financial liabilities delivered are not part of the cost of the business combination and are recognised in accordance with the rules applicable to financial instruments. The fees paid to legal advisors and other professionals who participate in the business combination are recognised as expenses as they are incurred. The expenses incurred internally for these items and, where applicable, those incurred by the entity acquired do not form part of the cost of the business combination.

However, the acquisition of the subisidiaries Pinarcam Vivienda Joven SOCIMI, S.L.U., Burgo de Buevavista Gestión SOCIMI, S.L.U. and Compañía Europea de Arrendamientos Urbanos SOCIMI, S.L.U. do not constitute a business. Therefore, the change in control over them has not been recorded in accordance with Accounting and Record Standard 19 of the National Chart of Accounts, or with sections 22 to 26 of the Standards on Preparing Consolidated Financial

Statements; rather this was recorded in accordance with section 38 of the Standards on Preparing Consolidated Financial Statements because those companies lack some of the fundamental components that define an undertaking. According to Accounting and Record Standard 19 of the National Chart of Accounts, an undertaking is an integrated set of activities and assets that may be directed and managed to provide yield, lower costs or other economic benefits directly to their owners and participants, and control is the power to conduct an undertaking's financial and operational policies to obtain economic benefits from its activities. The Parent Company's acquisition of Pinarcam Vivienda Joven Socimi S.L.U., Burgo de Buenavista Gestión Socimi S.L.U., and Compañía Europea de Arrendamientos Urbanos S.L.U., contained assets (primarily real estate investments) and profits (rent from the leases), but no activities were acquired and no personnel were hired. Therefore, the directors consider that it should be handled as an acquisition of assets.

Consolidation method

The assets, liabilities, income, expenses, cash flows and other items of the Group companies' financial statements are fully consolidated in the Group's consolidated financial statements. This method requires the following:

Chronological homogenisation.

The consolidated financial statements are prepared on the same date and for the same period as the financial statements for the company that must be consolidated. Companies whose reporting date differs are included through interim financial statements at the same date and for the same period as the consolidated financial statements.

Appraisal homogenisation.

The assets, liabilities, income and expenses and other items in the financial statements for the Group companies were measured following uniform methods. Assets, liabilities, income or expenses that have been measured using criteria that are not consistent with those used on consolidation have been measured again, making the necessary adjustments, for the sole purpose of consolidation.

Aggregation.

The various items in the individual financial statements — previously standardised — are aggregated according to their nature.

Investment-equity elimination.

The fair values representing the equity instruments of the subsidiary owned, directly or indirectly, by the Parent, are offset with the proportional part of the equity items of the aforementioned subsidiary attributable to the said ownership interests, generally, based on the values obtained from applying the acquisition method described above. On consolidation in years following the acquisition of control, the excess or lack of equity generated by the subsidiary from the date of acquisition attributable to the parent is recognised on the consolidated balance sheet under reserves or valuation adjustments based on its nature.

According to the definition under section 38 of Spanish Royal Decree 1159/2010, of 17 September, approving the Standards for Preparing Consolidated Annual Financial Statements, if companies are consolidated that do not constitute an undertaking, then the equity elements of a subsidiary they should be reflected in the consolidated annual financial statements in accordance with the rules in the National Chart of Accounts for each of them, both on the date they joined the group and in subsequent years, until they are sold off or disposed of otherwise.

In this case, the book value of the stake will be distributed based on the relative fair value of the various identifiable acquired assets and the liabilities taken on, with no need to recognise goodwill or badwill.

Minority interests.

Non-controlling interests are measured based on their effective share of the subsidiary's equity after the aforementioned adjustments have been included.

Elimination of intragroup items.

All receivables, payables, income, expenses and cash flows between Group companies are eliminated. Likewise, all results arising from internal transactions are eliminated and deferred until they are performed vis-à-vis third parties unrelated to the Group.

4.2. Goodwill

At the close of 2020 and 2019, goodwill corresponds to the positive differences between the book value of the stake and the value attributed to that stake of the fair value of the assets acquired and liabilities taken on from the companies acquired in the year.

Goodwill is allocated to the cash-generating units to which the economic benefits of the business combination are expected to flow, and any corresponding valuative adjustments are then recorded.

If an impairment loss has to be recognised for a cash-generating unit to which all or part of an item of goodwill has been allocated, the carrying amount of the goodwill relating to that unit is written down first. If the loss exceeds the carrying amount of this goodwill, the carrying amount of the other assets of the cash-generating unit is then reduced, on the basis of their carrying amount, down to the limit of the highest of the following values: fair value less costs to sell; value in use; and zero. Impairment loss is recorded as loss under the results from the year.

Where an impairment loss is subsequently reversed (not permitted in the specific case of goodwill), the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. These reversals of losses due to impairment are credited under consolidated profits and losses.

Goodwill is amortised linearly over ten years. Useful life is determined separately for each cash generating unit assigned goodwill.

4.3. Inmovilizado intangible

The assets included as intangible assets are accounted for at their acquisition price. The intangible assets are presented in the balance sheet with their costs minus the amount of the accumulated amortisation and impairment charges as of that date. Specifically, the following criteria are applied:

Computer software

Computer software that meets the recognition criteria are capitalised at their acquisition or preparation costs. Computer software is amortised on a straight-line basis over three years from the entry into service of each application.

The maintenance costs for computer software are accounted for as expenses when they are incurred.

4.4. Property, plant and equipment

Property plant and equipment are valued at their acquisition price or production cost plus the adjustments applied as specified under the various legal provisions, the last of which was approved by Law 16/2012, of 27 December, and minus the corresponding cumulative amortisation and impairment losses.

Indirect taxes charged on tangible fixed assets are only incorporated into the acquisition price or production cost when they could not be directly refunded from the tax authorities.

The amortization of property components is calculated by systematically distributing the amortisable amount throughout the asset's lifespan. Based on this, the amortisable amount refers to the asset's acquisition cost minus its residual value.

The amortisation of tangible fixed assets is determined by applying the following criteria:

Amortisation coefficient	**%**
Technical and mechanical facilities	10
Furniture and fixtures	10
Equipment for processing information	4

The Group reviews the residual value, the useful life and the basis of depreciation of the property, plant and equipment at the end of each year. The modifications made to the initially established criteria are recognized as a change in estimation.

4.5. Investment properties

Investment property includes land, buildings or other constructions held to earn rents or for capital appreciation upon disposal due to future increases in their respective market prices.

Investment property is initially recognised at its cost (either its acquisition price or its production cost), including directly related expenses, which include, in addition to the amount invoiced by the seller after deduction of any discounts and reductions in price, any additional and directly related expenses incurred until it is brought into operating condition.

After its initial recognition, it is assessed for its cost minus its accumulated amortisation and (if applicable) the accumulated amount of impairment adjustments recorded.

The cost of any acquired or produced assets that need more than one year to be brought into operation condition includes the financial expenses accrued before the property meeting requirements for capitalisation was brought into operating condition.

The value of investment properties also includes the initial estimate of the present value of asset dismantling or retirement obligations and other associated costs, such as the cost of restoring assets when these obligations lead to recognising provisions.

Repairs that do not lead to a lengthening of the useful life and maintenance expenses are expensed currently. Costs from making expansions or improvements that increase an asset's productive capacity or its service life are added to the asset as increases in its value.

Where applicable, changes that arise from the residual value, useful life and the method of depreciating an asset are recognised prospectively as changes in the accounting estimates, except if it is an error.

Lots and buildings with future uses that were not defined when they were added to the Company's assets are classified as investment properties. Properties that are under construction or improvement for future use are classified as current fixed assets.

The criteria used to recognise the impairment losses on these assets and, where applicable, the reversal of impairment losses recognised in prior years are described below.

The depreciation charge for investment property is calculated using the straight-line method based on the years of estimated useful life of the assets. The annual depreciation rates applied to the respective book values, and the years of estimated useful life, are as follows:

	Annual Percentage
Buildings	2%-4%
Facilities	10%

Property, plant and equipment in progress is not depreciated until it enters into operation, at which time it is transferred to the corresponding investment property account in view of its nature.

Turnkey contracts are contracts in which the transfer of control (and of the risks and rewards) takes place when the asset is delivered. The amounts initially paid on account are recorded as advances under current investment properties.

Impairment of invvestment property

An impairment loss occurs on an investment property when its carrying amount exceeds its recoverable amount, which is understood to be the higher of fair value less costs to sell and value in use. Value in use is the present value of expected future cash flows, applying risk-free market interest rates adjusted for the specific risks associated with the asset. For assets which do not generate cash flows that are largely independent of those arising from other assets or groups of assets, the recoverable amount is determined for the cash-generating units to which these assets belong.

For these purposes, least at the end of each reporting period, the Company assess as to whether there is any evidence that investment property has suffered impairment.

Impairment losses the reversal thereof are recognised in the income statement. Impairment losses are reversed when the circumstances giving rise to them cease to exist, except those corresponding to goodwill. The reversal of impairment is limited to the carrying amount of the asset that would appear had the corresponding value impairment not been previously recognised.

4.6. Leases and other similar transactions

The Company recognises those transactions for which the lessor transfers substantially all the risks and rewards incidental to ownership of the leased asset to the lessee as finance leases, and recognises all others as operating leases.

Financial leases

In financial leases where the Company is the lessee, the Company records an asset on the balance sheet based on the nature of the asset referred to in the lease, and a liability for the same amount, which is either the fair value of the leased asset or the current value of the minimum agreed sums at the start of the lease, not including the option to buy, whichever is less. Contingent instalments, the cost of services and taxes recoverable by the lessor are not included. The finance charges are allocated to the income statement for the fiscal year in which they are accrued, applying the effective interest rate. Contingent instalments are recorded as expenses in the year in which they are incurred.

The assets recorded for these types of transactions are amortised using the same criteria as those applied to all of the tangible (or intangible) assets, in view of their nature.

Operating leases

Revenues and expenditures derived from operational leases are charged to the consolidated income statement in the year in which they accrued.

Also, the acquisition cost of the leased asset is presented in the consolidated balance sheet according to the nature of the asset, increased by the costs directly attributable to the lease, which are recognised as an expense over the lease term, applying the same method as that used to recognise lease income.

Expenses resulting from operating leases are recognised in the consolidated income statement in the year in which they are incurred.

A payment made on entering into or acquiring a leasehold that is accounted for as an operating lease represents prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

4.7. Financial instruments

4.7.1. Financial assets

The financial assets held by the Company are classified, for measurement purposes, in the following categories:

1. Loans and receivables

Loans and receivables relate to trade and non-trade receivables arising from the sale of goods, delivery of cash or provision of services, that have fixed or determinable payments and are not traded in an active market.

Loans and receivables are initially recognised at the fair value of the consideration paid, plus any directly attributable transaction costs. They are subsequently measured at amortised cost, and the interest income is recognised in profit or loss on the basis of the effective interest rate.

However, trade receivables maturing within twelve months where there is no contractual interest rate are initially measured at face value, provided that the effect of not discounting the cash flows is not material, in which case they will continue to be measured subsequently at this amount, unless impairment existed.

Impairment losses on these assets are recognised based on the difference between their carrying amount and the present value at the reporting date of the future cash flows that they are expected to generate, discounted at the effective interest rate calculated upon initial recognition. These impairment losses are recognised in the consolidated income statement.

4.7.2. Financial liabilities

A financial liability is recognised on the consolidated balance sheet when the Company becomes party to the contract or legal transaction in accordance with its provisions.

Accounts payable that have arisen from the purchase of goods or services in the normal course of the Company's business or through non-trade transactions are initially measured at the fair value of the consideration received, adjusted by the directly attributable transaction costs.

However, trade payables maturing within twelve months where there is no contractual interest rate are initially measured at face value, provided the effect of not discounting the cash flows is not material.

Accounts payable are subsequently measured at amortised cost using the effective interest method. In accordance with the foregoing, those that are initially measured at face value continue to be measured at this amount.

Financial liabilities are derecognised when the obligations giving rise to them cease to exist.

4.7.2.1. Financial liability derivative instruments

Financial liability derivative instruments, i.e., those with unfavourable valuations for the Company, are assessed at their fair value, following the same criteria as those for financial assets held for trading.

The Group evaluates whether an implicit derivative should be separated from its primary contract, only when the Group becomes party to the contract, or in a year after the year when there was a change to the contractual terms that significantly affected the expected cash flows associated with the implicit derivative, the primary contract or both in comparison to the originally expected cash flows.

4.7.3. Guarantees delivered and received

The difference between the fair value of the guarantees delivered and received and the amount paid or collected is considered to be a prepayment or advance for the operating lease or the provision of the service, which is taken to consolidated profit or loss over the lease term or over the period in which the service is provided.

In the case of short-term guarantees, cash flows are not discounted since their effect is not material.

4.7.4. Transactions in foreign currencies

The functional currency of the Company is the euro.

Transactions expressed in foreign currencies are converted into the operational currency by applying the applicable exchange rate when the corresponding transaction was performed, recording them at the close of the financial year based on the exchange rate in force at that time.

In the particular case of monetary financial assets classified as available for sale, any exchange differences arising from changes in the exchange rate between the transaction date and the year-end date are determined as if these assets were measured at amortised cost in the foreign currency, so that the exchange differences will be those arising from changes in the amortised cost as a result of changes in exchange rates, irrespective of their fair value.

Any exchange differences that arise due to recognition of debits and credits in foreign currencies at year end are allocated directly to the consolidated income statement.

4.8. Income taxes

Current tax is the amount resulting from applying the tax rate to the tax base for the year. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, and tax loss carryforwards from prior years effectively offset in the year, reducing the current income tax expense.

The deferred tax expense or income corresponds to recognition and settlement of deferred tax assets arising from deductible temporary differences, tax loss carryforwards and unused tax credits and other tax assets pending application and deferred tax liabilities arising from taxable temporary differences. Deferred tax assets and liabilities are measured at the tax rates estimated at the date of reversal.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit (loss) nor taxable profit (tax loss).

In accordance with the accounting principle of prudence, deferred tax assets are only recognised to the extent that it is considered probable that taxable profits will be obtained in the future. However, deferred tax assets are not recognised from temporary deductible differences deriving from the initial recognition of assets and liabilities in a transaction that do not affect the tax result and the accounting result and that are not a business combination.

Current tax income or expense and deferred taxes are recognised in profit or loss. However, current and deferred tax assets and liabilities relating to a transaction or event that is recognised directly in equity are recognised with a charge or credit to this heading.

The deferred tax assets and liabilities recognised are reassessed at each reporting date in order to ascertain whether they still exist, and the appropriate adjustments are made. Deferred tax assets recognised and those not previously recognised are reassessed. Any assets recognised that are not likely to be recovered are derecognised while any assets of this nature that have not been recognised previously are recognised to the extent that it is probable that they will be recovered against future taxable profit.

4.9. Provisions and contingencies

When preparing the consolidated financial statements the Company's directos made a distinction between:

4.9.1. Provisions

Credit balances covering present obligations from past events with respect to which it is probable that an outflow of resources embodying economic benefits that is undertain as to its amount and/or timing will be required to settle the obligations.

4.9.2. Contingent liabilities

Possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the Company's control.

The consolidated financial statements include all provisions with respect to which it is considered more likely than not that the obligation will have to be settled, and they are measured at the present value of the best estimate available of the amount required to pay or transfer the obligation to a third party. Contingent liabilities are not recognised in the consolidated financial statements, but rather are disclosed in the notes.

Provisions are measured at the reporting date at the present value of the best possible estimate of the amount required to settle the obligation or to transfer it to a third party. Where discounting is used, adjustments made to provisions are recognised as interest cost on an accrual basis. For provisions with maturities of one year or less where the financing effect is insignificant, no type of discount is applied.

The compensation to be received from a third party on settlement of the obligation is not decreased from the amount of debt, but rather is recognised as an asset, provided there are no doubts that the reimbursement will take place.

4.10. Cash and other cash equivalents

Cash and cash equivalents include cash and demand deposits held at banks. Also included in this category are other highly liquid short-term investments that can always be easily converted into fixed amounts of cash and whose risk of changing value is insignificant.

The Group presents payments and collections from financial liabilities and assets with a high rotation at the net amount in the statement of cash flows. For these purposes, the rotation period is considered to be high when the period between the date of acquisition and the maturity date does not exceed six months.

4.11. Related party transactions

Related party transactions, irrespective of the level of the relationship, are recognised in accordance with generally accepted accounting principles. Consequently, the items subject of the transaction are initially recognised at fair value. If the price agreed upon in a transaction is differs from its fair value, the difference is recognised in accordance to the economic substance of the transaction. They are subsequently measured in accordance with the corresponding accounting principles.

4.12. Revenues and expenses

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

Revenue from sales is recognised when the significant risks and rewards inherent to ownership of the asset sold have been transferred to the buyer, and the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the asset sold.

Lease income is recognised on an accrual basis using the straight-line method over the estimated term of the agreement.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period, provided the outcome of the transaction can be estimated reliably.

4.13. Segmented information

The Group is presented segmented information based on the primary activities performed by the Group, the revenue and costs of which have been assessed, reviewed and discussed separately with its Governance Bodies. The segmented information is presented in Note 22 of these notes to the consolidated financial statements.

4.14. Consolidated statement of cash flows

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period, provided the outcome of the transaction can be estimated reliably.

- Operating activities: activities that generate a group's ordinary income, and other activities that cannot be classified under investment or financing activities.

- Investment activities: activities for the acquisition, sale or other means of disposal of noncurrent assets and other investments not included under cash or cash equivalents.

- Financing activities: activities that give rise to changes in the size and composition of equity and liabilities that are not part of operating activities.

5. Goodwill

The details of the goodwill caption broken down by subsidiary is as follows:

Company	2020	2019
Avalon Properties S.L.	247,997	247,997
	247,997	**247,997**
Initial amortisation	(35,467)	(10,667)
Additions	(24,800)	(24,800)
Final amortisation	**(60,267)**	**(35,467)**
Net Book Value	**187,730**	**212,530**

The goodwill allocated to the subsidiary Avalon Properties, S.L. arose in 2018 when the controlling stake in that subsidiary was acquired. At the end of each financial year, it is assessed the potential impairment of Goodwill. The Group estimates that goodwill was not impaired in 2020 or in 2019.

6. Intangible assets

The balances and changes in 2020 and 2019 in gross values, accumulated depreciation and impairment losses are as follows:

	01/01/2020	Additions	Disposals	31/12/2020
Gross values				
Patents, licenses, brands and others	2,040	-	-	**2,040**
	2,040	**-**	**-**	**2,040**
Accumulated Amortisation				
Patents, licenses, brands and others	(227)	(204)	-	**(431)**
	(227)	**(204)**	**-**	**(431)**
Net Book Value	**1,813**	**(204)**	**-**	**1,609**

	01/01/2019	Additions	Disposals	31/12/2019
Gross values				
Patents, licenses, brands and others	2,040	-	-	**2,040**
	2,040	**-**	**-**	**2,040**
Accumulated Amortisation				
Patents, licenses, brands and others	(23)	(204)	-	**(227)**
	(23)	**(204)**	**-**	**(227)**
Net Book Value	**2,017**	**(204)**	**-**	**1,813**

As of 31 December 2020 and 2019 there are no fully amortised intangible asset.

7. Property, plant and equipment

The balances and changes in 2020 and 2019 in gross values, accumulated depreciation and impairment losses are as follows:

	01/01/2020	Additions	Disposals	Transfers	31/12/2020
Cost					
Other fixtures	1,833	-	-	-	1,833
Furniture	88,580	-	-	(41,399)	88,580
Computers and electronic devices	23,280	3,924	-	-	27,204
Advances and property, plant and equipment in const.	124,034	-	-	(124,034)	-
	237,727	**3,924**	**-**	**(165,433)**	**76,218**
Amortización Acumulada					
Other fixtures	(128)	(183)	-	-	(311)
Furniture	(15,683)	(3,976)	-	(11,313)	(8,346)
Computers and electronic devices	(6,202)	(6,614)	-	-	(12,816)
	(22,012)	**(10,773)**	**-**	**(11,313)**	**(21,473)**
Net Book Value	**215,715**	**(6,849)**	**-**	**(154,120)**	**54,745**

	01/01/2019	Additions to the consolidation scope (*)	Additions	Disposals	31/12/2019
Cost					
Other fixtures	686	-	1,147	-	1,833
Furniture	32,951	42,813	12,816	-	88,580
Computers and electronic devices	16,533	-	6,747	-	23,280
Advances and property, plant and equipment in const.	1,653	-	124,034	(1,653)	124,034
	51,823	**42,813**	**144,744**	**(1,653)**	**237,727**
Accumulated Depreciation					
Other fixtures	(28)	-	(100)	-	(128)
Furniture	(572)	-	(15,111)	-	(15,683)
Computers and electronic devices	(1,034)	-	(5,168)	-	(6,202)
	(1,633)	**-**	**(20,379)**	**-**	**(22,012)**
Net Book Value	**50,190**	**42,813**	**(124,365)**	**-**	**215,715**

(*) The additions to the scope of consolidation at 31 December 2019 correspond to the acquisition of Burgo de Buenavista Gestión SOCIMI, S.L.U. on 21 February 2019.

Within the Property, plant and equipment caption, the Group records mainly office furniture and computers. As of 31 December 2020 and 2019, there is no fully depreciated property, plant and equipment.

8. Investment property

The detail of "Investment Property" at 31 December 2020 and 2019 and the rollforward of the caption during those years is as follows:

	01/01/2020	Additions to the scope of consolidation (*)	Additions	Disposals	Transfers	31/12/2020
Cost						
Land	66,190,482	-	2,371,850	-	-	68,562,332
Construction	76,795,198	-	8,003,778	-	41,399	84,840,375
Investment property in progress	12,088,107	-	5,900,050	(883,008)	124,034	17,229,183
	155,073,787	**-**	**16,275,678**	**(883,008)**	**165,433**	**170,631,890**
Accumulated Depreciation						
Construction	(1,381,958)	-	(1,864,206)	-	(11,313)	(3,257,477)
	(1,381,958)	**-**	**(1,864,206)**	**-**	**(11,313)**	**(3,257,477)**
Impairment						
Construction	-	-	(1,198,910)	-	-	(1,198,910)
	-	**-**	**(1,198,910)**	**-**	**-**	**(1,198,910)**
Net Book Value	**153,691,829**	**-**	**13,212,562**	**(883,008)**	**154,120**	**166,175,503**

	01/01/2019	Additions to the scope of consolidation (*)	Additions	Disposals	Transfers	31/12/2019
Cost						
Land	28,943,468	5,578,035	30,716,940	-	952,039	66,190,482
Construction	23,356,643	19,923,397	33,227,198	-	287,960	76,795,198
Investment property in progress	1,240,000	-	12,088,106	-	(1,240,000)	12,088,106
	53,540,111	**25,501,432**	**76,032,244**	**-**	**-**	**155,073,787**
Accumulated Depreciation						
Construction	(127,628)	-	(1,254,330)	-	-	(1,381,958)
	(127,628)	**-**	**(1,254,330)**	**-**	**-**	**(1,381,958)**
Net Book Value	**53,412,483**	**25,501,432**	**74,777,914**	**-**	**-**	**153,691,829**

(*) The additions to the scope of consolidation at 31 December 2019 correspond to the acquisition of the subidiaries Burgo de Buenavista Gestión SOCIMI, S.L.U. and Compañía Europea de Arrendamientos Urbanos SOCIMI, S.L.U., on 21 February and 14 June 2019 respectively.

During 2020, the Group has acquired a new asset located in Arganda del Rey (5 assets in 2019, all of them in the Madrid Region). Investment Properties correspond mainly with properties held for residential lease.

Dentro de las incorporaciones al perímetro a 31 de diciembre de 2019, se incluye por importe bruto de 499.213 euros de bienes en régimen de arrendamiento financiero (ver nota 9.1).

The disposals in the Investment Properties caption for 2020 correspond to the agreements reached by the Group to cancel the Forward Purchase Agreements under development of Rivas, Valdemoro, Alcalá P8, Cañaveral and Carabanchel.

As a result of said cancelations, the Group has derecognized against the "Other expenses" caption of the Consolidated Income Statement the amount the capitalized amount up until the cancelation date, corresponding mainly to legal and technical advisors' fees, as well as an amount of €502 thousand related to cancelation penalties disbursed.

The amount of financial expenses capitalized as greater value of investment properties during the year ended on 31 December 2020 amounted to 1,278,629 Euro (724,078 Euro in 2019). These financial expenses correspond to the interests accrued from mortgages from Banco Sabadell (see note 15) and the interest accrued from loans from the Sole Shareholder of the Group's Parent Company (see note 21) to finance properties that are under construction or being remodelled and that are expected to be in conditions of use in a period over a year.

The details of the investment properties held by the Group as of December 31, 2020 are as follows:

1) **San Diego**: Property located at Calle Alfredo Castro Cambra, 2 (Madrid). This property was acquired on 29 June 2018 and is mortgaged with Banco Sabadell.

2) **Ana de Austria:** Property located at Calle Ana de Austria 101-111 (Madrid). This property was acquired on 31 August 2018 and is mortgaged with Banco Sabadell.

3) **Aligustre:** Property located at Calle Aligustre, 43 (Madrid). This property was acquired on 31 October 2018 and is mortgaged with Banco Sabadell.

4) **Doctor Castelo:** Property located at Calle Doctor Castelo nº22 (Madrid). This property was acquired on 31 August 2018 and is mortgaged with Banco Sabadell.

5) **Villaverde:** Property located at Calle Vicente Carballal (Madrid). This property was acquired on 20 December 2018 and is mortgaged with Banco Sabadell.

6) **Arganda:** Property located at Avenida República de Argentina nº2 (Arganda del Rey). The property was incorporated to the Group as part of the acquisition of the subsidiary Pinarcam Vivienda Joven SOCIMI, S.L.U. on 20 December 2018 and is mortgaged with Banco Sabadell.

7) **San Carlos 6:** Property located at Calle San Carlos, 6 (Madrid). The property was acquired on 7 February 2019 and is mortgaged with Banco Sabadell.

8) **Estrella Polar I:** Property located at Calle Estrella Polar, 1 (Parla). The property was incorporated to the Group as part of the acquisition of the subsidiary Burgo de Buenavista Gestión SOCIMI, S.L.U. on 21 February 2019 and is mortgaged with Deutsche Bank.

9) **Estrella Polar II:** Property located at Calle Estrella Polar, 2 (Parla). The property was acquired on 21 March 2019 and is mortgaged with Banco Sabadell.

10) **Maldonado 24:** Property located at Calle Maldonado 24 (Madrid). The property was acquired on 12 April 2019 and is mortgaged with Banco Sabadell.

11) **Santa Ana 8:** Property located at Calle Santa Ana 8 (Madrid). The property was acquired on 6 May 2019.

12) **Villalbilla:** Property located in Villalbilla in the Madrid province. The property was acquired on 5 September 2019.

13) **Alcobendas:** Property located at Calle Francisco Largo Caballero, 20 in Alcobendas in the Madrid province. The property was incorporated to the Group as part of the acquisition of the subsidiary Compañía Europea de Arrendamientos Urbanos SOCIMI, S.L.U. on 14 June 2019. The property is mortgaged with Banco Sabadell.

14) **Balcón de Europa:** Property located in Calle Lisboa, 7 de Arganda del Rey. The property was acquired on 30 December 2020.

The Group has as of 31 December 2020 under the "Investment Property in progress" caption, seven turnkey projects under construction in Arganda del Rey, Torrejón de Ardoz (two), Alcalá de Henares, Villaverde (Madrid), Valdebebas (Madrid) and Tetuán (Madrid) with a total acquisition price of 197.4 million Euro (including advances already made) which could be adjusted based of the building surface, delays in construction or savings in construction costs. It is expected that said developments will be completed and be acquired between the years 2021 and 2022.

The Group's portfolio as of 31 December 2020 has a total surface of 96,983 m2 (85,361 m2 as of 31 December 2019), being the occupancy as of 31 December 2020 of 55% (37% in 2019).

To determine their market value, the Company's directors have assigned an independent expert to appraise the Group's properties. The valuations have been made in accordance with the RICS Appraisal and Valuation Standards based on the Red Book edition published in 2019.

The valuation methodology used by the appraiser was the "Discounted Cash Flows". The two type of assets the Group owns were appraised (Existing Properties and Turnkey)

To estimate the market value of the properties, a Discounted Cash Flows method was adopted taking into account the projected net revenues over a 10-year period, estimating the property's expenses, the contracted rent and the market rent considered for the empty surface area. This way, the current rent generated by these properties was taken into account, together with their potential rent based on the market rent levels estimated for each of them, and the terms of the leases in force for them. These rents provide a given initial yield that can be compared to the profitability required by the current market in view of the assets' location, characteristics, tenants and rents. To determine the market value for this type of assets, the various usual types of costs were estimated, such as reletting fees, void period, vacancy rate, management fees, contingencies, payments, etc., over the course of their management.

As for the opening profit margin, 10-year forecasts are made. To determine the value of each property in 10 years, the previous year's net rent is capitalised in a range of 3%-4.75% profitability, in view of factors including current offers, the latest transactions in the area, the location, type, quality, condition, and the differentiation from direct competitors, in addition to the property's lease status and the average term of its leases. At that time, the property will theoretically be rented at market rents.

For turnkey assets, the appraiser made a special appraisal assumption, because turnkey assets correspond to residential property approximations under appraisal that will be delivered as finished products in the future. However, these assets were appraised on the special assumption that they are completed buildings rented with 40-50% occupancy on the appraisal date.

The fair value of the investment properties calculated based on the appraisals as of 31 December 2020 amounts to 179,751,000 Euro (171,783,000 Euro in 2019) for the existing assets and 219,584,000 Euro (295,257,000 Euro in 2019) for the seven turnkey assets as of that date (11 in 2019).

Fair value is defined as the estimated amount for which an asset should be exchanged on the date of valuation between a willing seller and a willing buyer, after a reasonable marketing period, and wherein the parties have acted knowledgeably, prudently and without compulsion. As a result of said appraisal, it has been necessary to record impairment charges over Investment Properties in 2020 amounting to 1,198,910 Euro (0 Euro in 2019).

On 10 February 2020, it has been notarized a public contract in which a purchase option is established over 14 real estate properties. The exercise of said purchase option is subject to the compliance with certain preconditions which as of the date of preparation of these consolidated financial statements have not been met. As a result, according to the applicable accounting principles, this option has not been subject to appraisal nor reflected in these consolidated financial statements.

It is the Group's policy to contract insurance policies to cover any possible risks to which the various elements of its investment properties may be subject. In the years closed 31 December 2020 and 2019, the Company's directors determined that there are no coverage deficits of these risks.

9. Leases and other similar transactions

9.1. Finance leases

At 31 December 2019, the heading "Investment Properties" of the Consolidated Balance Sheet included a sum of €499,213 for assets under finance lease. The finance lease was signed on 22 May 2008 with Madrid de Leasing Corporación, S.A. E.F.C. to acquire the land and property located at Avenida de la Dehesa Vieja nº15, Polígono Industrial Dehesa Vieja, of the San Sebastián de los Reyes Parcelisation Project, expiring on 22 May 2020, with an outstanding payment of €19,553 due at the end of 2019 (see Note 15). On 22 May 2020, the purchase option has been executed, acquiring the asset.

9.2. Operational leases

The Group acts as the lessor of the investment properties it owns.

The minimum future collections from operational leases contracted by tenants based on the lease agreements currently in force is as follows:

	Minimum collections	Minimum collections
	31.12.2020	31.12.2019
Less than one year	3,726,636	2,821,676
One to five years	12,330,520	5,896,701
More than five years	3,944,318	2,430,372
	20,001,474	11,148,749

The Group's expenses in its position as a lessee come from payment for the use of the offices of Avalon Properties, S.L., pursuant to a lease signed on 1 July 2018 for a three-year period. The minimum future payments on it are as follows:

	Minimum payments	Minimum payments
	31.12.2020	31.12.2019
Less than one year	22,800	45,600
One to five years	-	22,800
More than five years	-	-
	22,800	68,400

10. Non-current and current financial assets

The breakdown of the financial assets by category as of 31 December 2020 and 31 December 2019 is as follows:

	Non-current financial investments	Current financial investments		
	Receivables, derivatives and other	Loans receivables	Receivables, derivatives and other	Total
	31.12.2020	31.12.2020	31.12.2020	31.12.2020
Categories				
Loans and receivables	-	16,322,775	61,011	16,383,786
Clients and receivables	-	-	160,095	160,095
Other financial assets	232,952	-	1,024,660	1,257,612
	232,952	16,322,775	1,245,766	17,801,493

	Non-current financial investments	Current financial investments		
	Receivables, derivatives and other	Loans receivables	Receivables, derivatives and other	Total
	31.12.2019	31.12.2019	31.12.2019	31.12.2019
Categories				
Loans and receivables	-	15,752,951	42,356	15,795,307
Clients and receivables	-	-	220,376	220,376
Other financial assets	131,328	-	2,233,649	2,364,977
	131,328	15,752,951	2,496,381	18,380,660

The balance recorded under "non-current financial investments" at 31 December 2020 amounting to 232,952 Euro (131,328 Euro in 2019) mainly consists of deposits received from leases that have been deposited in the Madrid Housing Institute (IVIMA).

The balance recorded under "Current financial assets" consists of:

- The heading "Loans receivables" amounting 16,339,648 Euro (15,752,951 Euro in 2019) mainly includes two mortgage loans acquired. These loans have been classified as financial assets held to maturity, initially recorded at their fair value, which is equal to the consideration paid plus any directly attributable transaction costs. These investments were subsequently recorded at their amortised cost and the interest accrued in the period was calculated using the effective interest rate method, applying the estimated rate assessed by the directors of 3%. The breakdown of the loans acquired is as follows:

- **Arganda**: on 31 August 2018, the Group acquired, under a deed of credit assignment to the SAREB (Bank Restructuring Real Estate Asset Management Company) a loan related to a building located at Calle San Sebastián, 29. The subsequent valuation of the loan at amortised cost amounts to 8,087,190 Euro as of 31 December 2020 (7,889,890 as of 31 December 2019). During 2020 the financial income accrued amounted to 113,487 Euro (230,726 Euro in 2019) recorded under the "Income from third parties" caption of the consolidated income statement.

  On 3 August 2020, the Group has been provisionally awarded in a public auction the real estate property which guarantee the mortgage loan, remaining the final award of their ownership still outstanding.

- **Sanchinarro**: on 31 August 2018, the Group acquired under a deed of credit assignment to Deutsche Bank, a mortgage loan guaranteed by real estate properties. The loan was subsequentely valued at its amortised cost at 7,325,532 Euro as of 31 December 2020 (6,969,563 Euro in 2019). During the year a financial income amounting to 102,182 Euro (204,926 Euro in 2019) was recorded within the "Income from third parties" caption of the consolidated income statement.

  On 11 March 2021, the Group has been provisionally awarded in a public auction with the real estate properties which guarantee the loan, remaining the final award of their ownership still outstanding.

- Additionally, it includes the consideration associated with the collaboration agreement signed on 31 August 2018 by Muflina Investments SOCIMI, S.L.U. and Proyectos Inmobiliarios DAUSSET, S.L. to satisfy its obligations as the sub-lessee of 69 dwellings in the building located at San Sebastián St. in Arganda, as Muflina is interested in this being because it may be awarded these properties in the foreclosure proceeding initiated by the former creditor of the aforementioned loan. Under this agreement, the subsidiary Muflina Investments SOCIMI, S.L.U., agrees to pay Dausset the sum of 913,233 Euro. The loan has initially been classified as a financial asset held to maturity, initially recorded at its fair value, which is equal to the consideration paid plus transaction costs. These investments have been subsequently recorded at their amortised cost and the interest accrued in the period was calculated using the effective interest rate method, with the directors assessing a rate of 3%. The loan was subsequently recorded at its amortised cost amounting to 906,552 Euro as of 31 December 2020 (893,498 Euro as of 31 December 2019). There was a financial income amounting to 13,054 Euro in 2020 (23,200 Euro in 2019) from the effective interest adjustment of the loan which was recorded under the "Income from third parties" caption on the consolidated income statement. The company has recorded a short-term det under current liabilities of the consolidated balance sheet corresponding to the sum to be paid which amounts to 252,368 Euro as of 31 December 2020 (321,692 as of 31 December 2019) (see Note 15).

- Additionally, a loan granted to one of the shareholders of Avalon Properties, S.L. (Duron Properties, S.L.U.) for a sum of 39,680 dated 24 September 2018 (see Note 20) is recorded under this caption. The loan accrues the legal interest rate of money. The accrued interest receivable recorded at the close of the year amounted to 2,456 Euro in 2020 (1,190 Euro in 2019).

- The caption “Clients from sales and services rendered” of the attached consolidated balance sheet covers the outstanding receivables from the leases. During the year 2020, an allowance of 226,293 euro has been recorded associated with the outstanding clients receivables balance (0 euro in 2019).

- The short-term “Other financial assets” caption include as of 31 December 2020 mainly fixed-terms deposits in Banco Sabadell amounting to 1,016,873 Euro maturing in 2021 at a 0% interest rate. In 2019 it also included the sums paid to the seller of a building located in the Carabanchel District of Madrid corresponding to the 20% acquisition price. Due to the non-compliance by the seller of the conditions precedent included in the agreement, the deposit made was reimbursed on June 2020 and the agreement cancelled.

At 31 December 2020 and 31 December 2019, the Directors consider that there are no significant differences between the fair value of the non-current financial assets and their book value.

The maturities of the financial assets are as follows:

2020	2021	2022	2023	2024	Other	Total
Loans and receivables	16,322,775	-	-	-	-	16,322,775
Loans to related parties (note 20)	61,011	-	-	-	-	61,011
Clients and receivables (note 11)	160,095	-	-	-	-	160,095
Other financial assets	1,024,660	-	-	-	232,952	1,257,612
	17,568,541	-	-	-	232,952	17,801,493

2019	2020	2021	2022	2023	Other	Total
Loans and receivables	15,752,951	-	-	-	-	15,752,951
Loans to related parties (note 20)	42,356	-	-	-	-	42,356
Clients and receivables (note 11)	220,376	-	-	-	-	220,376
Other financial assets	2,233,649	-	-	-	131,328	2,364,977
	18,249,332	-	-	-	131,328	18,380,660

11. Trade and other receivables

The breakdown of “Trade and other receivables” as of 31 December 2020 and 31 December 2019 is as follows:

	31.12.2020	31.12.2019
Clients	151,136	204,271
Other debtors	8,959	16,105
Other receivables from Public Administrations (Note 17)	785,841	890,462
Staff	-	29
Current tax assets (Note 17)	-	13,833
Total	945,936	1,124,700

The balance of “Clients is presented net of allowanced which as of 31 December 2020 amounted to 113,736 Euro (0 Euro in 2019). The corresponding impairments are recorded based on the risk possible default on collection of receivables. In 2020 impairment charges and allowances over receivables have been recorded for a total amount of 226,293 Euro (0 Euro in 2019).

12. Risk management policy

The Group's financial risk management is centralised in its Financial Department, which has established the mechanisms required to control exposure to interest rate fluctuations and credit and liquidity risk.

The main financial risks affecting the Group are as follows:

12.1. Credit factors

The Group does not have any material credit risk concentration. The Group has policies to ensure that sales are made to clients with adequate credit records. Cash transactions are only conducted with financial institutions with high credit ratings. The Group has policies to limit the amount of risk with any financial institution.

The valuative adjustment for client default entails intense judgement by Management and review of individual balances based on clients' credit worthiness, current market trends and an historical analysis of insolvencies on an aggregate level. In relation to the valuative adjustment derived from the aggregate analysis of the historical experience of delinquencies, a reduction in balance volumes implies a reduction in valuative adjustments and vice versa.

12.2. Liquidity risk

The Group manages liquidity risk on a prudent basis, the purpose of which is to maintain sufficient cash.

The financing received as of 31 December 2020 and 2019 was received from credit institutions and from the
ultimate parent company.

12.3. Riesgo de interés

Because of the current situation in the real estate sector and in order to mitigate any negative impacts that this may cause, the Group has specific measures to minimise the impacts on its financial situation. These measures are applied based on the strategy and forecasts defined by the Group.

The financial debt is exposed to interest rate risk in its cash flows, which may have an adverse effect on the financial results and cash flows.

13. Cash and cash equivalents

The breakdown of "Cash and cash equivalents" as of 31 December 2020 and 2019 is as follows:

	31.12.2020	31.12.2019
Cash and cash equivalents	1,650,357	2,255,818
Total	1,650,357	2,255,818

As of 31 December 2020 and 31 December 2019, the Group does not hold restricted cash balances in financial institutions.

14. Shareholders' Equity

14.1. Share Capital

Share capital amounts to 5,000,000 Euro, represented by 5,000,000 shares with a par value of one euro each, all in the same class.

On 3 February 2020, the Sole Shareholder disbursed the outstanding called-up capital amouting to 75% of share capital at that date, for a total amount of 45,000 Euro. Additionally, on the same date, it was decided to increase the Company's share capital set at 60,000 Euro, fully subscribed and paid-up, by 4,940,000 Euro, to 5,000,000 Euro, by issuing and putting in circulation 4,940,000 new ordinary shares. The disbursement of the share capital increase was charged to the available funds included in the "Other shareholders contributions" account.

All of the shares of the Company belong to AEREF V Iberian Residential Holdings S.a.r.l. The Group does not own any treasury shares.

On 27 April 2020, the Company directors requested to list all the Company's shares on Euronext Access, appointing Euroclear France, S.A. as entity responsible for the accounting records of the shares.

14.2 Other shareholders contributions

During the year 2020, shareholder contributions have been received from the Sole Shareholder, AEREF V Iberian Residential Holdings, S.A.R.L. amounting to 1,953,000 Euro and shareholder contributions have been refunded for an amount of 2,975,000 Euro.

Additionally, as stated in Note 14.1, on 3 February 2020, a share capital increase was completed amounting to 4,940,000 Euro which was disbursed through a charge to the other shareholders contributions account.

Likewise, the Sole Shareholder decided on 20 August 2020 to compensate the accumulated losses of the Parent Company corresponding to the years 2018 and 2019 and amounting to 4,738,507 Euro against the caption of other shareholders contributions.

During 2019 the Sole Shareholder AEREF V Iberian Residential Holdings, S.A.R.L. has made shareholder contributions to the Parent Company amounting to 10,245,000 Euro, resulting to an accumulated amount of 17,456,960 Euro as of that date.

14.3 Reserves and Profit/Losses from previous fiscal years

The breakdown is as follows:

	2020	2019
Reserves in consolidated companies	(7,321,018)	(2,043,709)
Total	(7,321,018)	(2,043,709)

14.4 Legal Reserve

Under the revised text of the Corporate Enterprises Act, 10% profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. This legal reserve may be used for capital increases in proportion to the amount in excess of the 10% of the capital that has already been increased. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

This reserve was not constituted at the close of the financial years ended 31 December 2020 and 2019.

14.5 Minority Interests

The rollforward of the minority interests caption is as follows:

	Avalon Properties, S.L.	Total
Saldo al 31.12.2018	278,437	278,437
Profit 2019	56,286	56,286
Saldo al 31.12.2019	334,723	334,723
Profit 2020	122,586	122,586
Changes in stake	(33,539)	(33,539)
Saldo al 31.12.2020	423,770	423,770

The change in stake in 2020 corresponds to the acquisition by the Parent Company of an additional 5% stake in Avalon properties, S.L. to Duron Properties on 28 May 2020.

The details of minority interests by company were as follows:

Company	**2020**	**2019**
Avalon Properties, S.L.	423,770	334,723
	423,770	**334,723**

15 Current and non-current financial liabilities

a) Classification by category

The breakdown by category of the short and long-term financial liabilities with a determined or determinable maturity as of 31 December 2020 and 2019 is as follows:

	Non-current financial liabilities			
	Debt held with related parties (note 20)	Bank borrowings	Other	Total
	31.12.2020	31.12.2020	31.12.2020	31.12.2020
Categorías:				
Payables	80,831,655	60,220,433	490,488	141,542,576
	80,831,655	60,220,433	490,488	141,542,576

	Current financial liabilities			
	Debt held with related parties (note 20)	Bank borrowings	Other	Total
	31.12.2020	31.12.2020	31.12.2020	31.12.2020
Categorías:				
Other payables	46,256,544	1,587,905	5,358,949	53,203,398
Accounts Payables (note 16)	-	-	1,804,749	1,804,749
	46,256,544	1,587,905	7,163,698	55,008,147

	Non-current financial liabilities			
	Debt held with related parties (note 20)	Bank borrowings	Other	Total
	31.12.2019	31.12.2019	31.12.2019	31.12.2019
Categorías:				
Payables	61,523,537	51,624,161	5,279,162	118,426,859
	61,523,537	51,624,161	5,279,162	118,426,859

	Current financial liabilities			
	Debt held with related parties (note 20)	Bank borrowings	Other	Total
	31.12.2019	31.12.2019	31.12.2019	31.12.2019
Categorías:				
Other payables	49,646,555	264,597	463,081	50,374,233
Accounts Payables (note 16)	-	-	1,147,412	1,147,412
	49,646,555	264,597	1,610,493	51,521,645

The breakdown of "Bank borrowings" as of 31 December 2020 and 2019 is as follows:

Bank	Date	Amount	Maturity	Interest	2020	2019
Sabadell	26/07/2019	2,900,000	60 months	1,60%	2,828,324	2,841,951
Sabadell	02/08/2019	700,000	60 months	1,60%	684,338	686,853
Sabadell	02/08/2019	20,466,000	60 months	1,60%	20,038,663	20,115,279
Sabadell	30/07/2019	2,500,000	60 months	1,60%	2,436,767	2,445,824
Sabadell	15/07/2019	5,700,000	60 months	1,60%	5,623,593	5,602,383
Sabadell	02/08/2019	4,100,000	60 months	1,60%	4,005,550	4,017,799
Sabadell	02/08/2019	3,500,000	60 months	1,60%	3,449,857	3,435,741
Sabadell	15/07/2019	5,100,000	60 months	1,60%	5,031,281	5,014,599
Abanca	30/04/2015	1,000,000	120 months	Euribor + 3,55%	-	597,448
Deutsche Bank	21/02/2007	4,500,000	480 months	Euribor + 0,9%	3,941,117	3,991,522
Sabadell	31/07/2019	3,200,000	48 months	1,60%	3,127,561	3,139,359
Sabadell	23/09/2019	2,276,000	24 months	2,50%	853,821	-
Sabadell	19/06/2020	10,000,000	180 months	2,25%	9,787,464	-
		65,942,000			**61,808,336**	**51,888,758**

As of 31 December 2020, the Group had received mortgage loans from different financial entities for a total amount of 62,666,000 Euro (53,666,000 Euro in 2019) of which on 31 December 2020 there was an outstanding balance at amortized cost of 60,954,515 Euro (51,888,758 Euro in 2019). These loans have grace periods of 12 to 24 months and maturities of 48 to 60 months.

Furthermore, several subsidiaries are part of a facility held with Banco Sabadell for a total amount of 2,276,000 Euro (2,276,000 Euro in 2019) of which 853,821 Euro had been disposed as of 31 December 2020 (0 Euro in 2019).

Bank loans with financial entities are guaranteed with mortgages held over different real estate properties of the Group described in Note 8. As of the date of preparation of these consolidated financial statements, the Group has complied with all the requirements included in the loan agreements.

The breakdown of the annual maturities of the loans held with financial institutions is as follows:

(euros)	31.12.2020	31.12.2019
1 year	1,587,905	264,597
2 years	1,220,010	690,946
3 years	1,277,568	1,167,964
4 years	44,922,540	1,176.594
5 years and after	12,800,313	48,588,657
	61,808,336	**51,888,758**

The financial expenses accrued in 2020 amounted to 1,261,364 Euro (586,615 Euro in 2019 – of which 118,266 Euro were capitalized as larger value of the investment properties).

If at any time during the life of the mortgage, AEREF's stake drops below 50%, the Company must notify the Bank, and if so demanded by the Bank, the Company must repay all of the outstanding sums on the loan, and cancel it within ten days. The breach will empower the Bank to terminate the mortgage early and to demand immediate repayment of all the loan's outstanding capital and its interest and fees. This will not apply if AEREF directly or indirectly holds less than 50% of it, but it is directly managed by AEREF or by a vehicle controlled or managed by AEREF.

The Group has guaranteed Banco Sabadell payment of the loans instalments authorizing the bank to apply the sums of the leases of different buildings owned by the Group, to the payment up to the agreed repayment amounts. If the amounts of the leases are higher than the mortgage payments, the Group may, after subtracting the monthly loan payments, draw down the remaining amount during the rest of the month. Additionally under the agreements reached with Banco Sabadell, the collection rights from any leases that may be signed in the future in relation to the properties financed by the bank would be assigned to the bank. This concession was provided to supersede the security interests.

At 31 December 2019, a sum of 5,000,000 euros was recorded under "debts and other non-current payables" in the "Other" category, mainly for a loan from the former owners of the subsidiary., corresponding to the deferred payment of the acquisition of the subsidiary Compañía Europea de Arrendamientos Urbanos S.L.U by the parent company, the maturity of which is due on 5 July 2021. As of 31 December 2020, the aforementioned debt is classified in within current liabilities in the "Other financial liabilities" caption.

b) Classification by maturity

The breakdown by maturity of the financial liabilities, with determined or determinable maturity at the close of 2020 is as follows:

	2021	2022	2023	2024	After	Total
Debts:						
Debt with related parties (Note 20)	46,256,544	-	-	-	80,831,655	127,088,199
Bank borrowings	1,587,905	1,220,010	1,277,568	44,922,540	12,800,313	61,808,336
Other financial liabilities	5,358,949	-	-	-	490,488	5,849,437
Accounts payable (Note 16)	1,767,580	-	-	-	-	1,767,580
Total	49,612,029	1,220,010	1,277,568	44,922,540	93,631,968	190,664,115

The breakdown by maturity of the financial liabilities, with determined or determinable maturity at the close of 2019 is as follows:

	2020	2021	2022	2023	After	Total
Debts:						
Debt with related parties (Note 20)	49,646,555	-	-	-	61,523,537	111,170,092
Bank borrowings	264,597	690,946	1,167,964	1,176,594	48,588,657	51,888,758
Other financial liabilities	463,081	5,000,000	-	-	279,162	5,742,243
Accounts payable (Note 16)	1,147,412	-	-	-	-	1,147,412
Total	51,058,563	5,690,946	1,167,964	1,176,594	110,112,194	164,206,261

16 Trade and other payables

The breakdown of trade and other payables under current liabilities is as follows:

	31.12.2020	31.12.2019
Suppliers	-	61,587
Sundry payables	1,767,580	959.529
Staff costs (remuneration payable)	-	126,296
Current tax liabilities (Note 17)	91	42,738
Other payables with Public Authorities (Note 17)	201,421	127,742
Customer Advances	37,169	-
Total	**2,097,176**	**1,317,892**

Pursuant to Additional Provision Two of Spanish Law 31/2014, of 3 December, which amended the Corporate Enterprises Act, and in accordance with the Resolution of 29 February 2016 of the Accounting and Auditing Institute, below is a detail of the average period of payment to suppliers, the ratio of transactions paid, the ratio of outstanding transactions, the total payments paid and the total outstanding payments:

	2020	2019
	Days	Days
Average period of payment to suppliers	5	24
Ratio of transactions setlled	5	15
Ratio of transactions not yet settled	11	83

	2020	2019
	Amount	Amount
Total payments made	21,165,853	16,149,223
Total payments outstanding	1,888,318	921,831

17 Tax situation

Current tax receivables and payables

The breakdown of the current tax receivables and payables at 31 December 2020 and 31 December 2019 is as follows:

31 December 2020

	Receivables		Payables
Cuenta	Non-current	Current	Current
Value added tax	-	691,226	-
Personal Income Tax withholding	-	-	182,355
Current tax assets	-	-	-
Deferred tax assets	-	-	-
Assets from withholdings and payments on account	-	94,615	-
Current tax liabilities	-	-	91,006
Social Security Administrations	-	-	19,066
	-	785,841	292,427

31 December 2019

	Receivables		Payables
Account	Non-current	Current	Current
Value added tax	-	868,915	20,884
Personal Income Tax withholding	-	-	95,606
Current tax assets	-	13,833	-
Deferred tax assets	236,121	-	-
Assets from withholdings and payments on account	-	21,547	-
Current tax liabilities	-	-	42,738
Social Security Administrations	-	-	11,252
	236,121	904,295	170,480

The Board of Directors unanimously resolved to have the Group avail itself of the Special Regime for group of companies under sections 163 quinquies to 163 nonies of Spanish Law 37/1992 of 28 December, on VAT [VAT Act, Ley 37/1992, del IVA], and sections 61 bis to 61 sexies of Royal Decree 1624/1992, effective as of the year beginning 1 January 2019. Therefore any sums payable or receivable for Value Added Tax will be handled as payables to or receivables from Group companies as of that date. For these purposes, the corresponding communication with the above agreements was sent to the Tax Administration as stipulated under section 163 sexies five of the Spanish VAT Act on 28 December 2018, thus paying tax under the consolidated declaration regime starting in 2019.

Furthermore, on 26 December 2019, it was communicated to the Tax Administration the incorporation of the remaining subsidiaries to the VAT Tax Group. As a result, starting in 2020 all the subsidiaries of the Group are part of the VAT Tax Group.

Calculation of income tax

Income tax is calculated on the basis of the accounting profit/loss determined by application of generally accepted accounting principles, which does not necessarily coincide with the taxable profit/tax loss.

The Group does not file under the consolidated groups of companies regime provided under Spanish Law 43/1995, and it records the corresponding income tax expenses individually.

The reconciliation between the accounting consolidated losses and the Tax Profit / (loss) for the years ended 31 December 2020 and 2019, is as follows:

2020	Tax Regime	Profit (loss) before taxes	Permanent Differences	Tax Base	Tax Loss Carryforwards	Tax Base	Income tax To be paid
Avalon Properties, S.L.	General	364,027	-	364,027	-	364,027	91,006
Pinarcam Vivienda Joven SOCIMI, S.L.U.	SOCIMI	(100,762)	-	(100,762)	-	(100,762)	-
Muflina Investment SOCIMI , S.L.U	SOCIMI	(3,017,202)	-	(3,017,202)	-	(3,017,202)	-
Iante Investment SOCIMI, S.A.U.	SOCIMI	(5,658,517)	-	(5,658,517)	-	(5,658,517)	-
Compañía Europea de Arrendamientos Urbanos SOCIMI, S.L.U.	SOCIMI	(438,296)	-	(438,296)	-	(438,296)	-
Nuciva Investments, S.L.U.	General	(245,089)	-	(245,089)	-	(245,089)	-
Jurisa Investments, S.L.U.	EDAV	(2,514,358)	-	(2,514,358)	-	(2,514,358)	-
Dalandia Investments, S.L.U.	EDAV	(1,291,647)	-	(1,291,647)	-	(1,291,647)	-
Burgo de Buenavista Gestión SOCIMI, S.L.U.	SOCIMI	(292,315)	-	(292,315)	-	(292,315)	-
Zonko Investments, S.L.U.	General	(323,723)	-	(323,723)	-	(323,723)	-
						Total	91,006

The Group companies, with the exception of Nuciva Investments, S.L.U, Jurisa Investments, S.L.U, Dalandia Investments, S.L.U., Zonko Investments, S.L.U. and Avalon Properties, S.L., apply the tax regime established in Law 11/2019, of 26 October, amended by Law 16/2012, of 27 December, by which the REITs (SOCIMI) are regulated which in practice imply that under the compliance of certain requirements, the Company is taxed at a corporate income tax rate of 0%. The directors monitor the compliance of the requirements included in said regulation with the objective to safeguard the tax advanges it includes, estimating that said requirements will be complied with, and therefore not recorded any tax income or expense.

The Group Companies Dalandia Investments, S.L.U. and Jurisa Investments, S.L.U. apply since 1 January 2020 the Special Regime for Entities with Home Rentals (SREHR or EDAV in Spanish). The rest of the group companies apply the general tax regime.

2019	Tax Regime	Profit (loss) before taxes	Permanent Differences	Tax Base	Tax Loss Carryforwards	Tax Base	Income tax To be paid
Avalon Properties, S.L.	General	163,075	38,037	201,112	-	201,112	50,278
Pinarcam Vivienda Joven SOCIMI, S.L.U.	SOCIMI	(332,312)	-	(332,312)	-	(332,312)	-
Muflina Investment SOCIMI, S.L.U	SOCIMI	(2,272,592)	-	(2,272,592)	-	(2,272,592)	-
Iante Investment SOCIMI, S.A.U.	SOCIMI	(4,171,353)	-	(4,171,353)	-	(4,171,353)	-
Compañía Europea de Arrendamientos Urbanos, S.L.U.	General	19,951	-	19,951	(19,951)	-	- (*)
Nuciva Investments, S.L.U.	General	(38,097)	-	(38,097)	-	(38,097)	-
Jurisa Investments, S.L.U.	General	(795,719)	-	(795,719)	-	(795,719)	-
Dalandia Investments, S.L.U.	General	(384,474)	-	(384,474)	-	(384,474)	-
Burgo de Buenavista Gestión, S.L.U.	General	(265,234)	-	(265,234)	-	(265,234)	-
Zonko Investments, S.L.U.	General	(93,119)	-	(93,119)	-	(93,119)	-
						Total	**50,278**

(*) The amount allocated to the Group, generated since the date of change of control of the subsidiary, amounts to 10,962 Euro of Income Tax.

The breakdown of the Income tax caption included in the consolidated income statement is as follows:

	2020	2019
Current tax	91,006	61,240
Deferred tax	236,121	-
Total income tax expense	327,127	61,240

Deferred tax assets arising as a result of tax loss carryforwards are recognised to the extent that the Company is likely to obtain future taxable profits against which they can be offset. The Group has impaired the previously capitalized tax credits in year 2020 amounting to 236,121 Euro (0 Euro in 2019).

The breakdown of the tax loss carryforwards generated in the previous tax years as of 31 December 2020 and 31 December 2019, previously to joining the SOCIMI tax regime is as follows:

Year	2020	2019
2009	73,086	73,086
2012	20,137	20,137
2013	18,754	18,754
2014	141,545	141,545
2015	170,882	170,882
2017	199,242	199,242
2018	288,573	288,573
2019	1,578,590	-
Total	**2,490,809**	**912,219**

Tax Audits

Under the current law, taxes cannot be deemed to have been definitively settled until the tax return filed have been reviewed by the tax authorities or until the four year statute of limitations period has expired.

At the close of 2020, the Group’s companies have any years not time barred open to audit. The Company's directors consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, any liabilities as might arise would not have a material effect on the accompanying financial statements.

The income tax rate for REITs is 0%. However, where the dividends that the REIT distributes to its shareholders holding an ownership interest exceeding 5% are exempt from tax or are subject to a tax rate lower than 10%, the REIT will be subject to a special charge of 19%, which will be considered to be the income tax charge, on the amount of the dividend distributed to these shareholders. If deemed applicable, this special charge must be paid by the REIT within two months after the dividend distribution date.

18 Revenues and expenses

18.1 Revenue

Revenue from services rendered during 2020 and 2019 were all obtained in Spain, mainly from leases of residential developments and its breakdown by subsidiary is as follows:

	31.12.2020	31.12.2019
Muflina Investments Socimi, S.L.U.	1,683,077	1,435,823
Pinarcam Vivienda Joven Socimi, S.L.U.	474,404	132,838
Compañía Europea de Arrendamientos Urbanos S.L.U.	402,696	355,953
Jurisa Investments S.L.U.	691,168	4,544
Dalandia Investments S.L.U.	348,943	233,982
Burgo de Buenavista Gestión Socimi S.L.U.	301,426	226,098
	3,901,714	2,389,238

18.2 Personnel costs

The breakdown is as follows:

	31.12.2020	31.12.2019
Wages and salaries	(1,429,667)	(1,044,375)
Social Security	(192,509)	(142,445)
	(1,622,176)	(1,186,820)

18.3 Other operating expenses

The breakdown is as follows:

	31.12.20	31.12.19
Rentals and leases	55,869	156,082
Repairs and maintenance	861,427	482,330
Independent Professional Services	3,624,611	2,188,126
Insurance Premiums	164,254	77,959
Bank fees	85,655	39,695
Marketing	262,494	33,806
Utilities and other services	304,529	82,672
Other services	1,172,504	403,918
Tax	433,462	206,695
Impairment losses on trade receivables	226,293	-
	7,191,098	3,671,283

18.4 Depreciation and amortisation

The breakdown of depreciation and amortisation is as follows:

	2020	2019
Goodwill (Note 5)	24,800	24,800
Intangible assets (Note 6)	204	204
Property, plant and equipment (Note 7)	10,773	20,378
Investment Properties (Note 8)	1,864,206	1,254,330
	1,899,983	**1,299,712**

19 Financial profit / (los)

19.1 Financial costs

The breakdown is as follows:

	31.12.20	31.12.19
Interests on related party debts (Note 20)	6,702,445	5,075,471
Interests on bank borrowings (Note 15)	1,261,364	468,349
Other financial expenses (Note 10 y15)	-	44,411
	7,963,809	5,588,231

19.2 Finance income

The breakdown is as follows:

	31.12.20	31.12.19
Other financial income (Nota 10)	241,881	460,140
Capitalization of financial expenses	1,278,629	-
	1,520,510	460,140

Within the "Other financial income" caption as of 31 December 2020 and 2019 were recorded the financial income from the recording at amortised cost of the loans described in Note 10.

20 Related-party transactions

During 2020 and 2019 the Group held transactions and balances with the following related parties:

Company	Type of relation
AEREF V Iberian Residential Holdings, S.A.R.L.	Parent company
Duron Properties, S.L.U.	Other related parties
Gunile Investments, S.L.U.	Other related parties

The breakdown of the transactions held with related parties in 2020 and 2019 is as follows:

	2020 Revenue / (expense)		2019 Revenue / (expense)
Concept	Sevices rendered	Interest accrued	Interest accrued
Parent company	-	(6,702,445)	(5,075,471)
Other related parties	79,139	1,193	1,190
Total related parties	79,139	(6,701,252)	(5,074,281)

The breakdown of balances held with related parties in years 2020 and 2019 is as follows:

	2020 Assets (Liabilities)		
	Receivables	Payables	
Concept	Loans	Long-term loans	Short-term loans
Parent company	-	(80,831,655)	(46,256,544)
Other related parties	61,011	-	-
Total related parties	61,011	(80,831,655)	(46,256,544)

	2019 Assets (Liabilities)		
	Receivables	Payables	
Concept	Loans	Long-term loans	Short-term loans
Parent company	-	(61,523,537)	(49,646,555)
Other related parties	41,356	-	-
Total related parties	41,356	(61,523,537)	(49,646,555)

The Group draws down from its Parent Company AEREF V Iberian Residential Holdings, S.A.R.L. through the following framework agreements held between each of the Group companies and the Parent company:

- "Interest Bearing Credit Facility Agreement" with a ten-year maturity and an annual interest rate of 7%. As of 31 December 2020, there was an outstanding principal balance drawn of 80.8 million Euro (61.5 million Euro in 2019), amounting the total drawdowns made in 2020 to 19.3 million Euro, of which 2,975,000 Euro were non-monetary drawdowns (39.9 million Euro of monetary drawdowns in 2019). Additionally, financial expenses have been accrued amounting to 4.6 million Euro (1.9 million Euro in 2019), being the payment of said interests outstanding in the current liabilities caption of the consolidated balance sheet.

- "Interest Bearing Bridge Facility Agreement" with a one-year maturity and an annual interest rate of 5% since the data of drawdown. As of 31 December 2020, there was an outstanding principal balance drawn of 32.9 million Euro (41.9 million Euro in 2019). During 2020 no drawdowns were made, having repaid a 9 million Euro balance (drawdowns of 49.4 million Euro and repayments of 50 million Euro in 2019). Additionally, financial expenses have been accrued amounting to 2.1 million Euro (3.2 million Euro in 2019), being the payment of said interests outstanding in the current liabilities caption of the consolidated balance sheet.

  As explained in the Subsequent events note, the entire principal balance of the Interest Bearing Bridge Facility Agreement has been repaid after the end of the year.

Additionally, the current asset caption of the consolidated balance sheet includes a loan granted to one of the partners of the subsidiary Avalon Properties, S.L. (Duron Properties, S.L.U.), amounting to 39,680 Euro dated 24 September 2018. This loan accrues the legal interest of money. Interests accrued in 2020 amount to 1,193 Euro (1,190 Euro in 2019). Interests accrued and not collected as of the close of the year 2020 amount to 2,456 Euro (1,262 Euro in 2019).

Iante Investmets Socimi S.A.U., Avalon Properties S.L., and Duron Properties S.L. signed a shareholders agreement on 27 July 2018. On that same date, 27 July 2018, Aeref V Iberian Residential Holding, S.a.r.l signed a framework investment agreement with Pablo Paramio as the representative of Duron Properties S.L. that details the commercial covenants between them.

That Framework Agreement specifies that Avalon Properties, S.L. is the company that will direct the operations and investments to be performed, and that to do this Avalon Properties, S.L. and the subsidiaries must sign a Management Agreement on the structure created in Spain (as described in Note 21). Under the Framework Agreement, Duron Properties S.L. must also give Aeref V Iberian Residential Holding, S.a.r.l an option to buy 49.90% of the shares in Avalon Properties, S.L. that Aeref V Iberian Residential Holding, S.a.r.l may exercise if Duron Properties, S.L. breaches any of its obligations, at a price of 1 euro, with the difference between the fair value of the shares and the one euro price being the penalty for breach. At the same time, Duron Properties, S.L. also provided Aeref V Iberian Residential Holding, S.a.r.l a sell option to sell its shares in Avalon to Duron Properties, S.L. for 1 euro per share or the net book value of the shares, whichever is greater. However, if Mr Paramio commits a breach as defined in the Framework Agreement (Key Man Event), the exercise price will be the shares fair market value.

On 20 December 2019, a purchase agreement was signed in which Duron Properties S.L. agreed to sell in the future 300 shares to Iante Investments SOCIMI, S.A.U., representing 5% of the share capital of Avalon Properties S.L. the price for the shares was 670,000,000 euros, i.e., 2,233.33 euros per share. However, Duron Properties S.L. and Iante Investments SOCIMI S.A.U. agreed that Duron Properties is entitled to an additional payment or a higher price depending on the future evolution of Avalon Properties S.L. Said purchase was formalized on 28 May 2020.

Avalon Properties, S.L. bills for independent professional services based on a services agreement signed with Iante Investments SOCIMI, S.A.U. on 27 July 2018 for the provision of asset management and investment services, property management and supervision services and other services.

The business consists of establishing a platform in Span to:

(i) acquire, renovate and lease residential buildings in selected neighbourhoods of downtown Madrid within the M-30 highway, and some specific area outside of the M-30 highway.

(ii) opportunely acquire individual units that may be sold after renovation at prices in excess of 1,000,000 euros.

The fees billed by Avalon Properties, S.L. consist of:

- **Base Quarterly Management fee,** which is broken down as follows:
  An annual management fee consisting of:

- 0.6% of the assets' purchase price plus CAPEX invested, provided that the aforementioned principal is less than €100,000,000 and subject to a minimum of 300,000 Euro during the first three years; or
- 0.4% of the assets' purchase Price plus CAPEX invested provided it is greater than €100,000,000.

For future assets purchased, the Base Management Fee will be:

- 0.3% of the assets' purchase price plus CAPEX; or
- 0.2% if the assets' purchase price plus CAPEX is greater than 100,000,000 Euro, to be paid between the exchange and the finalisation.

The Base Management Fee will be reduced by 25% (i.e., to 0.225% or 0.15%, depending on the case) if the period stipulated in the future purchase agreements for transferring the assets is greater than 24 months.

• Exit fees: 1% of the capital invested by Ares in the Spanish companies, with a limit of 800,000 euros. Once Ares has received distributions that provide it an IRR of 5% or the net distributable cash flows calculated after the taxes due in Spain and Luxembourg for the Spanish companies. The exit fees will be deducted from the incentive fee, if one is paid.

- **Acquisition fee:** an acquisition commission of 0.5% of the purchase price (excluding CAPEX) of any new asset purchased by the companies, after the purchase of the corresponding asset has been notarised, and to be paid at the end of each quarter based on the net distributable cash flows.

- **Incentive fee:** based on the financial performance of the Spanish companies and assets, which will be based on the net distributable cash flow calculated after the taxes due in Spain and Luxembourg for IANTE and GUNILE. These amounts will only be cumulative when the last asset is sold and transferred.

- **Exit fees:** 1% of the capital invested by Ares in the Spanish companies, with a limit of 800,000 euros. Once Ares has received distributions that provide it an IRR of 5% or the net distributable cash flows calculated after the taxes due in Spain and Luxembourg for the Spanish companies. The exit fees will be deducted from the incentive fee, if one is paid.

The agreement mentions fixed remuneration for the CEO guaranteed for three years.

The acquisition fee, the exit fees and the incentive fee are non-refundable.

The sums Avalon Properties S.L. billed Iante Invetsments Socimi S.A.U., have been eliminated from the consolidation process because the latter company is fully integrated.

The sums accrued by Board members in 2020 and 2019 for performing their functions as directors in the Company amounted to 564,750 Euro (443,640 Euro in 2019).

The Group has not provided any loans and advances to the members of its board, and it has no contractual pension and life insurance obligations.

Board members and their related parties pursuant to section 231 of the Corporate Enterprises Act have not incurred in any conflicts of interest under section 229 of the revised text of the Corporate Enterprises Act.

21 Other information

21.1 Staff

The average number of staff employed by the Group, distributed by category, is as follows:

	2020		
	Men	Women	Total
Directors	1	-	1
Other managers	4	3	7
Administrative	2	1	3
Basic tasks	1	-	1
Total	**8**	**4**	**12**

	2019		
	Men	Women	Total
Directors	1	,	1
Other managers	3	,	3
Administrative	1	1	2
Basic tasks	-	1	1
Total	**5**	**2**	**7**

The number of staff employed by the Group at the close of 2020 and 2019, is as follows:

	2020		
	Men	Women	Total
Directors	1	-	1
Other managers	5	3	8
Administrative	2	2	4
Basic tasks	2	1	3
Total	**10**	**6**	**16**

	2019		
	Men	Women	Total
Directors	1	-	1
Other managers	4	1	5
Administrative	1	2	3
Basic tasks	-	1	1
Total	**6**	**4**	**10**

There were no employees during the year with a disability of 33% or higher.

22 Segmented Information

The Board of Directors of the Parent Company is the Group chief decision taking body.

Management has determined the operational segments based on the information the body reviews to allocate the Group's resources and assess its performance.

Management has identified two segments that need to be reported: Residential leasing and Corporate.

The residential leasing segment focuses its activity on leasing the properties held by the Group and described in Note 8, all of which are located in the Community of Madrid.

The Corporate segment focuses on administrative activities and on supporting the other segments.

The total asset and liability figures provided to the Parent Company's board of directors are assessed based on uniform criteria. These assets and liabilities are allocated based on the activities of the segment as shown in the following table (net of consolidation adjustments):

	Euros (2020)		
ASSETS	Leases	Corporate	Consolidated
NON-CURRENT ASSETS			
Intangible assets	-	1,609	1,609
Property, plant and equipment	-	54,745	54,745
Investment properties	165,370,954	804,549	166,175,503
Non-current financial investments	210,121	22,831	232,952
Deferred tax assets	-	-	-
Goodwill	-	187,730	187,730
TOTAL NON-CURRENT ASSETS	**165,581,075**	**1,071,464**	**166,652,539**
CURRENT ASSETS			
Inventory	2,157	5,270	7,427
Trade and other receivables	217,534	728,402	945,936
Related parties receivables	-	61,011	61,011
Current financial investments	17,319,275	28,160	17,347,435
Short-term accruals	254,467	-	254,467
Cash and other cash equivalents	480,271	1.170.086	1,650,357
TOTAL CURRENT ASSETS	**18,273,704**	**1,992,929**	**20,266,633**
TOTAL ASSETS	**183,854,779**	**3,064,393**	**186,919,172**

	Euros (2020)		
EQUITY AND LIABILITIES	Leases	Corporate	Consolidated
EQUITY			
Share Capital	-	5,000,000	5,000,000
Other equity items	(22,105,101)	7,181,123	(14,923,978)
TOTAL EQUITY	**(22,105,101)**	**12,181,123**	**(9,923,978)**
NON-CURRENT LIABILITIES			
Non-current debts	60,710,921	-	60,710,921
Debts to related parties	58,551,087	22,280,568	80,831,655
TOTAL NON-CURRENT LIABILITIES	**119,262,008**	**22,280,568**	**141,542,576**
CURRENT LIABILITIES			
Current debts	1,946,311	5,000,543	6,946,854
Current loans with related parties	35,068,001	11,188,543	46,256,544
Trade and other payables	1,388,481	708,695	2,097,176
Short-term accruals	-	-	-
TOTAL CURRENT LIABILITIES	**38,402,793**	**16,897,781**	**55,300,574**
TOTAL EQUITY AND LIABILITIES	**135,559,700**	**51,359,472**	**186,919,172**

	Euros (2019)		
ASSETS	Leases	Corporate	Consolidated
NON-CURRENT ASSETS			
Intangible assets	-	1,813	1,813
Property, plant and equipment	155,532	60,182	215,715
Investment properties	153,691,828	-	153,691,828
Non-current financial investments	108,497	22,831	131,328
Deferred tax assets	236,121	-	236,121
Goodwill	-	212,530	212,530
TOTAL NON-CURRENT ASSETS	**154,191,979**	**297,356**	**154,489,335**
CURRENT ASSETS			
Inventory	489,138	870	490,008
Trade and other receivables	1,114,616	10,084	1,124,700
Current financial investments	17,970,227	58,729	18,028,956
Short-term accruals	16,762	-	16,762
Cash and other cash equivalents	1,574,232	681,586	2,255,818
TOTAL CURRENT ASSETS	**21,164,975**	**751,269**	**21,916,244**
TOTAL ASSETS	**175,356,954**	**1,048,625**	**176,405,579**

	Euros (2019)		
EQUITY AND LIABILITIES	Leases	Corporate	Consolidated
EQUITY			
Share Capital	15,000	-	15,000
Other equity items	5,931,882	334,723	6,266,605
TOTAL EQUITY	**5,946,882**	**334,723**	**6,281,605**
NON-CURRENT LIABILITIES			
Non-current debts	56,767,150	-	56,767,150
Debts to related parties	61,523,537	-	61,523,537
TOTAL NON-CURRENT LIABILITIES	**118,290,687**	**-**	**118,290,687**
CURRENT LIABILITIES			
Current debts	863,851	-	863,851
Current loans with related parties	49,646,555	-	49,646,555
Trade and other payables	1,065,926	251,965	1,317,891
Short-term accruals	4,991	-	4,991
TOTAL CURRENT LIABILITIES	**51,581,322**	**276,895**	**51,833,287**
TOTAL EQUITY AND LIABILITIES	**175,818,891**	**611,618**	**176,405,579**

The business information provided to the Parent Company's board of directors on the consolidated income statement for the years 2020 and 2019 is as follows:

	Euros (2020)		
	Leases	**Corporate**	**Consolidtaed**
Revenue	3,901,714	-	3,901,714
Other operating income	-	134,695	134,695
Personnel costs	(8,213)	(1,613,963)	(1,622,176)
Other operating expenses	(6,386,614)	(804,484)	(7,191,098)
Depreciation and amortisation	(1,864,206)	(35,777)	(1,899,983)
Other profit/(losses)	-	(12.324)	(12,324)
Impairment and gains of non-current assets	(1.198.910)	-	(1,198,910)
PROFIT/(LOSS) FROM OPERATIONS	**(5,556,229)**	**(2,331,853)**	**(7,888,082)**
Finance income	241,881	-	241,881
Financial costs	(4,269,874)	(3,693,935)	(7,963,809)
Exchange differences	-	(2,989)	(2,989)
Other finance incoem	1,278,629	-	1,278,629
FINANCIAL LOSS	**(2,749,364)**	**(3,696,924)**	**(6,446,288)**
PROFIT / (LOSS) BEFORE TAX	**(8,305,593)**	**(6,028,777)**	**(14,334,370)**
Income tax	(236,121)	(91,006)	(327,127)
PROFIT / (LOSS) FOR THE YEAR	**(8,541,714)**	**(6,119,783)**	**(14,661,497)**

	Euros (2019)		
	Leases	**Corporate**	**Consolidated**
Revenue	2,389,237	-	2,389,237
Personnel costs	(42,058)	(1,144,762)	(1,186,820)
Other operating expenses	(3,374,678)	(296,604)	(3,671,282)
Depreciation and ammortisation	(1,265,642)	(34,070)	(1,299,712)
Other profit/ (losses)	45,138	38,604	83,742
PROFIT/(LOSS) FROM OPERATIONS	**(2,248,004)**	**(1,436,831)**	**(3,684,835)**
Finance income	458,850	1,290	460,140
Financial costs	(5,588,231)	-	(5,588,231)
FINANCIAL LOSS	**(5,129,381)**	**1,290**	**(1,809,956)**
PROFIT / (LOSS) BEFORE TAX	**(7,377,385)**	**(1,435,541)**	**(8,812,926)**
Income tax	(10,962)	(50,278)	(61,240)
PROFIT / (LOSS) FOR THE YEAR	**(7,388,347)**	**(1,485,819)**	**(8,874,166)**

23 Guarantees

As of 31 December 2020 and 2019, the Group has the following outstanding guarantees:

24.1 Bank Guarantees

As of 31 December 2020 and 2019, the Group has provided bank guarantees amounting to 5 million Euro which correspond to the guarantee provided in connection with the acquisition described in note 15, due to the deferred payment outstanding to the previous owners of the subsidiary Compañía Europea de Arrendamientos Urbanos SOCIMI, S.L.U.

Additionally, as of 31 December 2020, the Group has bank guarantees outstanding provided to the sellers of the turnkey projects described in note 8 for a total amount of 41 million Euro (43 million Euro in 2019) with the bank Bankinter.

24.2 Other guarantees

a) Other guarantees provided:

The Group has provided 2.3 million Euro in guarantees corresponding to the amounts withheld in relation to the mortgage loans held with Sabadell bank (see note 15). These sums will only be released when the loans have been fully repaid.

24 Environmental information

The Group companies have no assets nor have they incurred any expenses aimed at minimising their environmental impact and protecting and improving the environment. There are also no provisions for risks and expenses or contingencies related to protecting and improving the environment.

25 Fees paid to auditors

The fees Grant Thornton, S.L. accrued during the year for audit services and other services are shown below:

	2020	2019
Audit services	68,750	61,000
Other services	5,000	101,000
	73,750	162,000

26 Subsequent Events

The main subsequent events that have taken place after the end of the fiscal year and before the preparation date of these consolidated financial statements are the following:

Share capital increases and debt with related parties

The Parent Company has completed on 2 February, 18 February, 17 March and 29 March share capital increases for a total amount of 768,406 Euro of share capital and 1,767,334 Euro of share premium. Additionally to this, additional debt drawdowns have been made from the "Interest Bearing Credit Facility Agreement" for an aggregate amount of 20.8 million Euro which have been used to partially repay the outstanding principal balance of the "Interest Bearing Bridge Facility Agreement" and partially finance the acquisition of assets.

Financing Agreement

On 9 March 2021, three subsidiaries, with the guarantee from the Parent Company have signed a financing agreement "Facility Agreement" with Société Générale, Sucursal en España as agent for an aggregate amount of 72 million Euro.

Said financing, which has a maturity of four years since the signing date, accrues a market interest rate. On 12 March 2021, the Group has made its first utilisation from the facility for an amount of 30.9 million Euro, which has been used to partially cancel existing debt with Sabadell and Deutsche Bank for an amount of 7 million Euro, partially finance payments linked with the forward purchase agreements under execution, partially repay the principal outstanding balance from the "Interest Bearing Bridge Facility Agreement" held with the Sole Shareholder (see note 13) and finance the financing costs. Additionally, on 31 March 2021, the Group has made a second utilisation from the facility amounting to 3.8 million Euro in order to partially finance the acquisition of a turnkey building located in Arganda del Rey.

The financing agreement includes certain clauses connected with the compliance of financial ratios, both associated with the share of the loan balance drawn compared to the real estate assets included in the scope "Loan to Value" and compared with the share of said loan balance to the Net Operating Income generated by the Borrowers.

Furthermore, on 12 march 2021, an Bridge Facility Agreement has been signed with said Société Génerale, Sucursal en España for an amount of 5 million Euro and a maturity of six months that have been fully drawn on 17 march 2021.

Finally, on 26 March 2021, a mortgage loan has been executed with Bankinter, mortgage backed with the building owned by the Group in calle Santa Ana, 8 (Madrid) for an amount of 3.5 million Euro and a 14.5 years maturity.

Acquisition of forward purchase agreements

On 31 March 2021, the Group has acquired the completed forward purchase agreements located in Arganda del Rey and Torrejón de Ardoz described in note 8.

27 Disclosure requirements arising from REIT status, (REIT Act 2009)

The disclosure requirements under section 11 of REIT Act 2009 are covered in the Parent Company’s and the subsidiaries’ abridged annual financial statements.

There is no other information deemed relevant that might facilitate the comprehension of the financial statements subject to filing, with the goal that they should reflect the true and fair view of the Group's equity, financial situation and results.

The Group's directors believe that the information provided here sufficiently reflects the true and fair view of the equity, financial situation and results.

CONSOLIDATED DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

IANTE INVESTMENTS SOCIMI, S.A.U.
Consolidated Directors' Report for the year ended
31 December 2020

This report includes notes on the evolution of the consolidated annual accounts of Iante Investments SOCIMI, S.A.U., and its subsidiaries (the "Group") and other notable events.

1. Situation of the Group

1.1. Situation of the Group

The Group is fully performing its economic activities, the volume and characteristics of which can be seen from its acquisition of all of the assets primarily held as residential leases in the Community of Madrid.

1.2. Evolution of the Consolidated Balance Sheet and Income Statement structure

Consolidated revenue for the Group amounted to 3.9 million Euro in 2020, resultin in an increase of 63% compared to the 2.4 million Euro in 2019, as a result of the increase in the occupation rate and the ownership of the assets during a larger period of the year.

Consolidated losses amounted to -14.8 million Euro in 2020 (compared to -8.9 million Euro losses in 2019) as a result of the larger financial expenses, impairment charges booked, expenses associated to the cancelation of projects and larger operating expenses due to the payments incurred as part of the growth phase of the Group.

The investment properties balance as of 31 December 2020 amounts to 166.2 million Euro (153.7 million Euro in 2019), as a result of the acquisition of an additional asset and the investment made both in the remodelling of existing buildings of the Group and the forward purchase agreements currently under construction.

Bank borrowings amounted as of 31 December 2020 to 61.8 million Euro (51.9 million Euro in 2019) and the loans payable to related parties amounted to 127.1 million Euro (111.2 million Euro in 2019) due to the investment effort made during the year.

2. Business performance

2.1. Business performance

During 2020, the Group acquired through its subsidiaries, one property located in the town of Arganda del Rey, representing the addition of 28 homes to the Group. Additionally to this, as explained in the subsequent events note, as of the date of preparation of these consolidated financial statements, two additional assets acquisitions have been completed, representing the addition of 155 homes to the Group.

Furthermore, during 2020 the Group has progressed in the occupation plans for the assets, concluding the year with an occupation rate of 55% (37% in 2019).

IANTE's residential portfolio has performed very solidly in the year with regard to the existing demand, that was reflected in the Group's ability to substantially improve the occupancy of its operational assets despite the existing challenges in the market due to the current situation as a result of the COVID-19 outbreak.

3. Outlook for the Group

3.1. Revenue

The Group's revenues are expected to increase in 2021 as a result of the of the addition of new operational rentals from new assets that will be required, and from existing assets in the remodelling phase that will be completed in this period. Moreover, revenues are also expected to increase due to the signing of new leases for the existing homes with leases that expire.

3.2. Investments

The Group is currently analysing various opportunities for adding new assets to its portfolio in 2021. The Group expects to expand its presence in the metropolitan areas of Madrid by acquiring operational assets and assets under remodelling, and by signing forward purchase agreements to acquire assets in the near future.

The Group is currently assessing various plans to reposition and remodel various assets in its portfolio. Some of these plans will be implemented and completed in 2021, whin others in the first semester of 2022.

3.3. Consolidated profit/(los)

The profit margin is expected to increase due to the increased occupancy and higher rents after the relevant CAPEX investments in the investment properties. Its margins are also expected to improve due to various measures that the company is analysing to reduce the operational costs associated with its assets under management.

3.4. Financial situation

In the immediate future, the financial situation is expected to remain at similar levels as the current year, which may be classified as acceptable.

4. Research and development

The Group conducted no research and development activities in 2020 and 2019.

5. Information on payment periods to suppliers in commercial transactions

The details of the required disclosures on average payment periods to suppliers in commercial transactions under Spanish Law 15/2010, of 5 July, and the amendments of Spanish Law 31/2014, of 3 December and the Resolution of the Spanish Institute of Accountants and Auditors of 29 January 2016, are as follows:

	2020	2019
	Days	Days
Average period of payment to suppliers	5	24
Ratio of transactions settled	5	15
Ratio of transactions not yet settled	11	83

	2020	2019
	Amount	Amount
Total payments made	21,165,853	16,149,223
Total payments outstanding	1,888,318	921,831

6. Subsequent Events

The main subsequent events that have taken place after the end of the fiscal year and before the preparation date of these consolidated financial statements are the following:

Share capital increases and debt with related parties

The Parent Company has completed on 2 February, 18 February, 17 March and 29 March share capital increases for a total amount of 768,406 Euro of share capital and 1,767,334 Euro of share premium. Additionally to this, additional debt drawdowns have been made from the "Interest Bearing Credit Facility Agreement" for an aggregate amount of 20.8 million Euro which have been used to partially repay the outstanding principal balance of the "Interest Bearing Bridge Facility Agreement" and partially finance the acquisition of assets.

Financing Agreement

On 9 March 2021, three subsidiaries, with the guarantee from the Parent Company have signed a financing agreement "Facility Agreement" with Société Générale, Sucursal en España as agent for an aggregate amount of 72 million Euro.

Said financing, which has a maturity of four years since the signing date, accrues a market interest rate. On 12 March 2021, the Group has made its first utilisation from the facility for an amount of 30.9 million Euro, which has been used to partially cancel existing debt with Sabadell and Deutsche Bank for an amount of 7 million Euro, partially finance payments linked with the forward purchase agreements under execution, partially repay the principal outstanding balance from the "Interest Bearing Bridge Facility Agreement" held with the Sole Shareholder (see note 13) and finance the financing costs. Additionally, on 31 March 2021, the Group has made a second utilisation from the facility amounting to 3.8 million Euro in order to partially finance the acquisition of a turnkey building located in Arganda del Rey.

The financing agreement includes certain clauses connected with the compliance of financial ratios, both associated with the share of the loan balance drawn compared to the real estate assets included in the scope "Loan to Value" and compared with the share of said loan balance to the Net Operating Income generated by the Borrowers.

Furthermore, on 12 march 2021, an Bridge Facility Agreement has been signed with said Société Génerale, Sucursal en España for an amount of 5 million Euro and a maturity of six months that have been fully drawn on 17 march 2021.

Finally, on 26 March 2021, a mortgage loan has been executed with Bankinter, mortgage backed with the building owned by the Group in calle Santa Ana, 8 (Madrid) for an amount of 3.5 million Euro and a 14.5 years maturity.

Acquisition of forward purchase agreements

On 31 March 2021, the Group has acquired the completed forward purchase agreements located in Arganda del Rey and Torrejón de Ardoz described in note 8.

7. Treasury shares

7.1. Treasury shares at the start of the year

No treasury shares were held in the portfolio at the start of the year.

7.2. Share buyback

During the year referred to in this consolidated directors' report, the Parent Company did not buy back any of its own shares.

7.3. Disposals of treasury shares

No treasury shares were disposed of during the year referred to in this report.

7.4. Amortisation of treasury shares

No capital reductions were conducted during the financial year to pay off treasury shares held in the portfolio.

7.5. Treasury shares at the end of the year

No treasury shares were held in the portfolio at year's end.

8. Financial instruments

The Group's financial risk management is centralised in its Financial Department, which has established the mechanisms required to control exposure to interest rate fluctuations and credit and liquidity risk.

The main financial risks affecting the Group are as follows:

8.1. Credit factors

The Group does not have any material credit risk concentration. The Group has policies to ensure that sales are made to clients with adequate credit records. Cash transactions are only conducted with financial institutions with high credit ratings. The Group has policies to limit the amount of risk with any financial institution.

The allowance over accounts receivables entails judgement by management and review of individual balances based on clients' credit worthiness, current market trends and a historical analysis of arrears on an aggregate level. In relation to the allowance adjustment derive from the aggregate analysis of the historical experience of delinquencies, a reduction in balance volumes implies a reduction in the allowance and viceversa.

8.2. Liquidity risk

The Group manages liquidity risk on a prudent basis; the purpose of which is to maintain sufficient levels of cash.

Financing received as of 31 December 2020 was both with the ultimate Parent Company and from banks.

8.3. Interest rate risk

As a result of the current situation in the real estate sector and in order to mitigate any negative impacts that this might cause, the Group has specific measures to minimise the impacts on its financial situation.

These measures are applied based on strategy and forecasts defined by the Group.

The financial debt is exposed to interest rate risk in its cash flows, which may have an adverse effect on the financial results and cash flows.

9. Environment

Because of their nature, the Group's business activities do not have a significant environmental impact.

10. Staff

The average number of employees of the Group in 2020 amounted to 12 (7 employees in 2019).

AUTHORISATION OF ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT BY THE BOARD OF DIRECTORS

In compliance with the applicable regulations, the directors of Iante Investments SOCIMI, S.A.U. have authorised for issue the Group's consolidated financial statements (consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements) and the consolidated Directors' Report for the year ended 31 December 2020.

The directors affix their signatures to the aforementioned documents, signing the page attached to the notes to the accompanying notes to the consolidated financial statements and consolidated directors' report.

Madrid, 31 March 2021

Mr. Kevin Jeremiah Cahill Chair	Mr. Pablo Paramio García Board Member

Mrs. Mª Lorena Salamanca Cuevas
Board Member Secretary