IANTE INVESTMENTS SOCIMI, S.A. and subsidiaries

Consolidated Financial Statements and Consolidated Directors' Report for the year ended 31 December 2021

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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 shareholders of Iante Investments Socimi, S.A.,:

Opinion

We have audited the consolidated annual accounts of Iante Investments Socimi, S.A.,(the Parent company) and its subsidiaries, (the Group), which comprise the consolidated balance sheet of 31 December 2021, 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 2021, 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 2021, the Group has registered under the heading Investments Properties real estate assets amounting to EUR 228,258 thousand of which 11,335 thousand euros are amounts paid for turnkey contracts in progress at year-end.

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 2021 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 of the new properties and turnkey contracts during the year and the cost capitalized 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 main hypothesis made to obtain recoverable amount.

- We have evaluated the competence, capacity and independence of the experts, by obtaining a confirmation of their independence and reviewing their recognized prestige.

- 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 2021 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 2021 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

24th June, 2022

IANTE INVESTMENTS SOCIMI, S.A. and subsidiaries
CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2021

(Figures expressed in euros)

ASSETS	**Note**	**31.12.2021**	**31.12.2020**
NON-CURRENT ASSETS		**229,969,985**	**166,652,539**
Intangible assets	**6**	**1,405**	**1,609**
Tangible fixed assets	**7**	**168,317**	**54,745**
Plant and other items of property, plant and equipment		168,317	54,745
Investment property	**8**	**228,258,329**	**166,175,503**
Land		100,081,655	68,562,333
Buildings		116,841,545	80,383,988
Investment property in progress		11,335,129	17,229,182
Non-current financial investments	**10**	**1,379,004**	**232,952**
Loan to third parties		616,527	-
Derivatives		390,912	-
Other financial assets		371,565	232,952
Goodwill	**5**	**162,930**	**187,730**
CURRENT ASSETS		**11,723,812**	**20,266,633**
Inventory		**142,892**	**7,427**
Advances to suppliers		142,892	7,427
Trade and other receivables	**11**	**972,420**	**945,936**
Customers from sales and services rendered	10	161,792	151,136
Consolidated accounts receivable	10 and 20	209,258	-
Other receivables	10	4,457	8,959
Other accounts receivable from public authorities	17	596,913	785,841
Short-term investments in group and associated companies	**10 and 20**	**18,867**	-
Other financial assets		18,867	-
Current financial investments	**10**	**7,697,602**	**17,408,446**
Loans to companies	20	407,443	61,011
Values representing debts	10	7,272,411	16,322,775
Other financial assets		17,748	1,024,660
Short-term accruals		**603,369**	**254,467**
Cash and other cash equivalents	**13**	**2,288,662**	**1,650,357**
Cash in hand and at banks		2,288,662	1,650,357
TOTAL ASSETS		**241,693,797**	**186,919,172**

IANTE INVESTMENTS SOCIMI, S.A. and subsidiaries
CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2021

(Figures expressed in euros)

EQUITY AND LIABILITIES	Note	31.12.2021	31.12.2020
EQUITY		**(18,204,609)**	**(9,923,978)**
Shareholders' equity		**(18,986,993)**	**(10,347,748)**
Share Capital	**14.1**	**6,187,234**	**5.000.000**
Share Premium	**14.1**	**2,733,638**	**-**
Reserves	**14.3**	**(22,768,543)**	**(7,321,018)**
Prior years' losses		(5,658,517)	-
Reserves in consolidated companies		**(17,110,026)**	**(7,321,018)**
Other shareholder contributions	**14.2**	**6,757,353**	**6,757,353**
Profit/Loss for the year attributable to the parent company		**(11,896,675)**	**(14,784,083)**
Consolidated profit/(loss)		(11,794,803)	(14,661,497)
Minority interest profit/(loss)		101,872	122,586
Adjustment for change in value		**256,742**	**-**
Translation difference of consolidated companies		256,742	-
Minority Interests	**14.5**	**525,642**	**423,770**
NON-CURRENT LIABILITIES		**238,580,657**	**141,542,576**
Non-current payables	**15**	**124,327,976**	**60,710,921**
Bank loans		123,282,366	60,220,433
Other financial liabilities		1,045,610	490,488
Non-current payables to group companies and associates	**15 and 20**	**114,252,681**	**80,831,655**
Other debts		114,252,681	80,831,655
CURRENT LIABILITIES		**21,317,749**	**55,300,574**
Current payables	**15**	**4,078,470**	**6,946,854**
Bank loans		2,304,051	1,587,905
Other financial liabilities		1,774,419	5,358,949
Current payables to group companies and associates	**15 and 20**	**15,914,256**	**46,256,544**
Other debts		15,914,256	46,256,544
Trade and other payables	**16**	**1,325,023**	**2,097,176**
Sundry payables	15	802,675	1,767,580
Staff costs (remuneration payable)	15	237,000	-
Current tax liabilities	17	-	91,006
Other payables to Public Authorities	17	226,147	201,421
Customer advances	15	59,201	37,169
TOTAL EQUITY AND LIABILITIES		**241,693,797**	**186,919,172**

IANTE INVESTMENTS SOCIMI, S.A. and subsidiaries
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

(Figures expressed in euros)

	Note	2021	2020
Revenue	**18.1**	**6,305,797**	**3,901,714**
Services rendered		6,305,797	3,901,714
Other operating income	**18.2**	**1,046,396**	**134,695**
Non-core and other current operating income		1,046,396	134,695
Personnel costs	**18.3**	**(2,427,919)**	**(1,622,176)**
Wages, salaries and similar expenses		(2,193,475)	(1,429,667)
Social security		(234,444)	(192,509)
Other operating expenses	**18.4**	**(6,651,817)**	**(7,191,098)**
Operating expenses		(6,025,242)	(6,531,343)
Impairment losses on trade receivables		(109,303)	(226,293)
Taxes other than Income tax		(517,272)	(433,462)
Depreciation and amortisation	**18.5**	**(2,318,888)**	**(1,899,983)**
Impairment and gains of non-current assets	**8**	**(82,495)**	**(1,198,910)**
Impairment of non-current assets		(82,495)	(1,198,910)
Other profit/(losses)		-	**(12,324)**
PROFIT/(LOSS) FROM OPERATIONS		**(4,128,926)**	**(7,888,082)**
Finance income		**88,173**	**241,881**
Other financial income	**19.2**	88,173	241,881
Financial costs		**(8,682,168)**	**(7,963,809)**
On debts to Group companies and associates	**19.1 and 20**	(5,810,497)	(6,702,445)
On debts to third parties	**15 and 19.1**	(2,871,671)	(1,261,364)
Change in fair value of financial instruments		**(33,830)**	-
Trading book and others		(33,830)	-
Exchange differences		-	**(2,989)**
Other finance income	**8**	**1,017,329**	**1,278,629**
Capitalization of financial costs		1,017,329	1,278,629
FINANCIAL LOSS		**(7,610,496)**	**(6,446,288)**
PROFIT/(LOSS) BEFORE TAX		**(11,739,422)**	**(14,334,370)**
Income tax	**17**	**(55,381)**	**(327,127)**
PROFIT/(LOSS) AFTER TAX FOR THE YEAR FROM CONTINUING OPERATIONS		**(11,794,803)**	**(14,661,497)**
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR		**(11,794,803)**	**(14,661,497)**
Profit/(loss) attributable to the parent company		(11,896,675)	(14,784,083)
Profit/(loss) attributable to non-controlling interests		101,872	122,586

IANTE INVESTMENTS SOCIMI, S.A. and subsidiaries
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

(Figures expressed in euros)

A) CONSOLIDATED STATEMENT OF INCOME AND EXPENSES FOR THE FISCAL YEAR ENDED 31 DECEMBER 2021

	2021	2020
Consolidated profit/(loss) for the year	**(11,794,803)**	**(14,661,497)**
For cash flow hedge	**290,572**	
Total income and expenses charged to consolidated equity	**290,572**	**-**
For cash flow hedge	**(33,830)**	
Total transfers to income statement	**(33,830)**	**-**
TOTAL RECOGNISED CONSOLIDATED INCOME AND EXPENSE	**(11,538,061)**	**(14,661,497)**

B) CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Share Capital	Share Premium	Reserves and Profit/(Losses) from prior years	Other shareholder contributions	Reserves in Consolidated companies	Profit/(loss) attributable to the parent	Minority Interests	Hedge Operations	TOTAL
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)**
ADJUSTED BALANCE, START OF 2021	**5,000,000**	**-**	**-**	**6,757,353**	**(7,321,018)**	**(14,784,083)**	**423,770**	**-**	**(9,923,978)**
Total recognised consolidated income and expenses	-	-	-	-	-	(11,896,675)	101,872	-	**(11,794,803)**
Other changes in equity	-	-	-	-	(663,441.69)	-	-	256,742	**(406,700)**
Other transactions with shareholders	1,187,234	2,733,638	-	-	-	-	-	-	**3,920,872**
Distribution of profit/(loss)	-	-	(5,658,517)	-	(9,125,566)	14,784,083	-	-	-
2021 ENDING BALANCE	**6,187,234**	**2,733,638**	**(5,658,517)**	**6,757,353**	**(17,110,026)**	**(11,896,675)**	**525,642**	**256,742**	**(18,204,609)**

IANTE INVESTMENTS SOCIMI, S.A. and subsidiaries
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

(Figures expressed in euros)

	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		**(5,341,466)**	**(3,984,320)**
Profit/(Loss) for the year before tax		**(11,739,422)**	**(14,334,370)**
Adjustments to Profit/(Loss)		**9,808,392**	**10,421,513**
Depreciation and amortisation	18.4	2,318,888	1,899,983
Impairment losses	8	191,798	1,425,203
Finance income	19	(1,105,502)	(1,520,510)
Financial costs	19	8,682,168	7,963,809
Exchange differences		-	2,989
Changes in fair value of financial instruments		290,572	-
Other income and expenses		(569,532)	650,039
Changes in working capital:		**(407,456)**	**1,206,841**
Debtors and other receivables		(135,787)	(61,362)
Other current assets		281,641	(4,736)
Creditors and other payables		(1,129,472)	1,365,239
Other current liabilities		196,942	(142,185)
Other non-current assts and liabilities		379,220	49,885
Other cash flows from opertating activities:		**(3,002,980)**	**(1,278,304)**
Interest paid		(2,871,671)	(1,261,364)
Interest collected		-	11,965
Income tax recovered / (paid)		(131,309)	(28,905)
CASH FLOWS FROM INVESTMENT ACTIVITIES		**(58,445,428)**	**(14,090,730)**
Payments due to investments:		**(58,445,428)**	**(15.305.965)**
Group and associated companies		(1,021,520)	-
Property, plant and equipment	7	(129,680)	(3.924)
Investment property	8	(57,831,204)	(14,997,049)
Other financial assets		(536,976)	(304,992)
Proceeds from divestments:		**-**	**1,215,235**
Other financial assets	10	-	1,215,235
CASH FLOWS FROM FINANCING ACTIVITIES		**64,425,199**	**17,469,589**
Proceeds and payments relating to equity instruments:		**3,308,564**	**1,328,900**
Issue of equity instruments	14	3,920,872	1,998,900
Acquisition of minority interest	20	(612,308)	(670,000)
Proceeds and payments relating to financial liabilitiy instruments:		**61,116,635**	**16,140,689**
Proceeds from bank loans	15	71,351,704	10,853,821
Proceeds from debts with group affiliates and associated companies	20	33,421,026	16,333,118
Payments related to bank loans	15	(7,503,310)	(953,794)
Payments related to debt with group affiliates and associated companies	20	(36,152,785)	(10,092,456)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**638,305**	**(605,461)**
Cash and cash equivalents at the beginning of the year		1,650,357	2,255,818
Cash and cash equivalents at the end of the year		2,288,662	1,650,357

1. Activities and general information

1.1. Parent Company

The Company IANTE INVESTMENTS SOCIMI, S.A. (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 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 AEREF 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.

The 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].
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].

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.

The Company is included under the regime regulated by the Law 11/2009, of 26 October, amended by Spanish Law 16/2012, of 27 December regulating Real Estate Investment Trusts ("REITs"), due to adhering to this special regime as of 1 January 2018.

The consolidated annual financial statements for Iante Investments SOCIMI, S.A. and subsidiaries for the year ended 31 December 2020 were prepared and issued by the Parent Company's Directors on 31 March 2021 and were approved by the Sole Shareholder on 30 June 2021 and filed in the Commercial Register of Madrid. As of 31 December 2021, Iante Investments SOCIMI, S.A. is the Parent Company of the Iante Investments SOCIMI, S.A. and Subsidiaries Group (the "Group") comprised of eleven 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.

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 2021 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	18,570,868	100%	Iante Investments SOCIMI, S.A.	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.	20/12/2018	Full Consolidation	Real Estate
Avalon Properties, S.L. (*) Maldonado 4, Madrid	1,784,308	55,10%	Iante Investments SOCIMI, S.A.	27/07/2018	Full Consolidation	Corporate
Dalandia Investments, S.L.U. (*) Maldonado 4, Madrid	8,789,000	100%	Iante Investments SOCIMI, S.A.	15/02/2019	Full Consolidation	Real Estate
Burgo de Buenavista Gestión SOCIMI, S.L.U., (*) Maldonado 4, Madrid	4,803,142	100%	Iante Investments SOCIMI, S.A.	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.	14/06/2019	Full Consolidation	Real Estate
Nuciva Investments, S.L.U. (*) Maldonado 4, Madrid	2,213,000	100%	Iante Investments SOCIMI, S.A.	15/11/2019	Full Consolidation	Real Estate
Zonko Investments, S.L.U. (*) Maldonado 4, Madrid	566,000	100%	Iante Investments SOCIMI, S.A.	08/03/2019	Full Consolidation	Real Estate
Jurisa Investments, S.L.U. (*) Maldonado 4, Madrid	7,941,000	100%	Iante Investments SOCIMI, S.A.	10/07/2019	Full Consolidation	Real Estate
Aracalis Investments, S.L.U Maldonado 4, Madrid	3.000	100%	Iante Investments SOCIMI, S.A.	22/12/2021	Full Consolidation	Real State

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

Name and address	Shares: Amount (Euros)	Shares: Nominal %	Company holding direct stake	Date incorporated into the Group	Consolidation method	Activity
Muflina Investments, SOCIMI, S.L.U. (*) Maldonado 4, Madrid	14,320,840	100%	Iante Investments SOCIMI, S.A.	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.	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.	27/07/2018	Full Consolidation	Corporate
Dalandia Investments, S.L.U. (*) Maldonado 4, Madrid	6,404,000	100%	Iante Investments SOCIMI, S.A.	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.	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.	14/06/2019	Full Consolidation	Real Estate
Nuciva Investments, S.L.U. (*) Maldonado 4, Madrid	2,213,000	100%	Iante Investments SOCIMI, S.A.	15/11/2019	Full Consolidation	Real Estate
Zonko Investments, S.L.U. (*) Maldonado 4, Madrid	366,000	100%	Iante Investments SOCIMI, S.A.	08/03/2019	Full Consolidation	Real Estate
Jurisa Investments, S.L.U. (*) Maldonado 4, Madrid	7,753,000	100%	Iante Investments SOCIMI, S.A.	10/07/2019	Full Consolidation	Real Estate

(*) 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 half 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.

Obligation to distribute profits (Section 6)

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.

Effective for fiscal years beginning on or after January 1, 2021, Law 11/2021, of July 9, on measures to prevent and combat tax fraud, amends section 4 of Article 9 of Law 11/2009, of October 26, which regulates Listed Real Estate Investment Companies (REITs). Specifically, a special tax rate of 15% is introduced on the amount of the profit obtained in the year that is not distributed, in the part that comes from income that has not been taxed at the general corporate income tax rate and income that does not derive from the transfer of qualifying assets, once the three-year holding period has elapsed, that have been covered by the three-year reinvestment period provided for in Article 6.1.b) of Law 16/2012, of December 27. This special tax rate will be considered as a corporate tax liability and will accrue on the day of the resolution of application of the result of the fiscal year by the General Shareholders' Meeting or equivalent body. The self-assessment and payment of the tax must be made within two months from the date of accrual.

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 2021 and 2020, and no results need to be recorded due to corporation tax (see note 4.10). 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 4.10).

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 2021, 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.

Royal Decree 1/2021, of January 12, amended the 9th and 14th Accounting Recording and Valuation Standards of the Spanish National Chart of Accounts approved by Royal Decree 1514/2007, of November 16, 2007, with regard to financial instruments and revenues from sales and services. The Second and Third Transitional Provisions of said Royal Decree establish the transitional rules for recording and valuation, to be applied on the date of first application, for financial instruments and the Fifth Transitional Provision, the transitional rules for recording and valuation of income from sales and rendering of services. These provisions establish that, as a general criterion, the entities must apply the 22th Accounting Recording and Valuation Standards on changes in accounting criteria, errors and accounting estimates. As a result, the Group has restated the comparative figures considering the criteria established by the new wording of these accounting and valuation standards. Note 2.9 includes a detail of the impact of the restatement of comparative figures.

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 2021, the Group recorded losses that have worsened its financial situation, and it had a negative consolidated working capital amounting to €9,6 million (€35 million in 2020), with its current liabilities including €16 million in debt to group companies (€46 million in 2020).

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, 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

The additions to the scope of consolidation in 2021 were as follows:

Name and address	Shares		Shareholder Company	Date incorporated into the Group	Consolidation method	Activity
	Amount (Euros)	Nominal (%)				
Aracalis Investments, S.L.U Maldonado 4, Madrid	3,000	100%	Iante Investments SOCIMI, S.A.	22/12/2021	Full Consolidation	Real Estate

There were no changes in the composition of the scope of consolidation during 2021.

2.9. Transition

The approval of the Royal Decree 1/2021, dated January, 2021, amended the Spanish National Chart of Accounts approved by the Royal Decree 1514/2007, dated November, 16, 2007, and with it the accounting treatment of various components of the abridged financial statements. In compliance with the provisions of the First Transitional Provision of the aforementioned Royal Decree, we include the following information on the transitional matters:

Financial Instruments

The changes introduced by the Royal Decree 1/2021, dated January 12, 2021, come into effect for all the fiscal years that start in January 1, 2021. Among them, the 9th Accounting Recording and Valuation Standards. The Second Transitional Provision of the aforementioned standard establishes the rules at the date of first application of the standard, allowing essentially two transitional models:

- Full retrospective, this involves the restatement of comparative figures in accordance with the provisions of the 22nd new Spanish National Chart of Accounts "Changes in accounting criteria, errors and accounting estimates", with a series of practical exemptions that simplify the adaptation of comparative figures to the new 9th Accounting Recording and Valuation Standards of the Spanish National Chart of Accounts.

- Simplified retrospective, which involves the introduction of an adjustment to the opening balances of the year in which the aforementioned standard begins to be applied, without requiring the restatement of comparative figures, benefiting from a number of practical simplifications that help to apply the standard at the date of adoption.

The Group has decided to apply a full retrospective transitional model.

Financial Assets

The following is a reconciliation between the classification and valuation of financial assets as of January 1, 2021, recorded in accordance with the 9th Accounting Recording and Valuation Standards of the Spanish National Chart of Accounts, and the classification and valuation of the same financial assets recorded under the new financial instruments standard:

Financial Assets				
Existing Categories		**New Categories**		**Deviations**
Denomination	**Value**	**Denomination**	**Value**	**Reserves**
Loans and receivables	16,383,786	Financial assets at amortised cost	16,383,786	-
Customers and receivables	160,095	Financial assets at amortised cost	160,095	-
Other financial assets	1,257,612	Financial assets at amortised cost	1,257,612	-

The Group has classified as financial assets at amortised cost all those financial assets that accrue cash flows in the form of principal and interest and for which this, at the transition date, the Group was applying a business model aimed at managing the collection of such cash flows. Within this category, the Group has classified all the financial assets that were previously classified as Loans and Receivables and Held-to-Maturity Investments categories.

Financial Liabilities

The following is a reconciliation between the classification and valuation of financial liabilities as of January 1, 2021, recorded in accordance with the 9th Accounting Recording and Valuation Standards of the Spanish National Chart of Accounts, and the classification and valuation of the same financial liabilities recorded in accordance with the new financial instruments standard:

Financial Liabilities				
Existing Categories		**New Categories**		**Deviations**
Denomination	**Value**	**Denomination**	**Value**	**Reserves**
Long-term payables	141,542,576	Financial liabilities at amortised cost	141,542,576	-
Short-term payables	53,203,398	Financial liabilities at amortised cost	53,203,398	-
Creditors	1,804,749	Financial liabilities at amortised cost	1,804,749	-

The Group has chosen to irrevocably designate at the transition date the entire portfolio of financial liabilities it held, which were classified in the former category of "Debts and payables", as a financial liability at amortised cost.

The change in accounting criteria does not have any impact on the Company's net equity. Likewise, no substantial changes are made. The Company's previous intention with regards to the management of the assets is not modified.

Revenues from sales and services rendered

The amendments introduced by Royal Decree 1/2021, dated January 12, come into force for all years beginning on or after January 1, 2021, including the new 14th Accounting Recording and Valuation Standards about "Revenue from sales and services rendered". The Second Transitional Provision of the aforementioned standard establishes the rules on the date of first application of the standard, allowing essentially two transition models:

- Full retrospective, this involves the restatement of comparative figures in accordance with the provisions of the 22nd new Spanish National Chart of Accounts "Changes in accounting criteria, errors and accounting estimates", with a series of practical exemptions that simplify the adaptation of comparative figures to the new 14th Accounting Recording and Valuation Standards of the Spanish National Chart of Accounts.

- Simplified retrospective, which involves the introduction of an adjustment to the opening balances of the year in which the aforementioned standard begins to be applied, without requiring the restatement of comparative figures, benefiting from a number of practical simplifications that help to apply the standard at the date of adoption.

- Practical solution: from that date onwards, only contracts with customers signed after the date of first adoption will be subject to the criteria established by the new 14th Accounting Recording and Valuation Standards about "Revenue from sales and services rendered".

The Group has decided to apply a full retrospective transitional model.

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 General Shareholder's meeting is as follows:

	Euros 2021	Euros 2020
Basis for distribution		
Profit/(loss)	(2,813,273)	(5,658,517)
Application		
Prior years' losses	(2,813,273)	(5,658,517)

On June 30, 2021, the Sole Shareholder approved the application of the Parent Company's profit for the year 2020 in the amount of 5,658,517 euros of losses charged against negative results of previous years.

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.

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 book 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.

The portion attributable to minority interests is recorded under "Minority interests". Minority interests are valued on the basis of their effective interest in the net assets of the subsidiary after incorporation of the above adjustments.

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 realized with third parties outside the Group.

4.2. Goodwill

At the close of 2021 and 2020, goodwill corresponds to the positive differences between the book value of the participation and the value attributed to that participation 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. Intangible assets

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. Tangible fixed assets

Tangible fixed assets 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 depreciation 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 depreciation of tangible fixed assets is determined by applying the following criteria:

Depreciation 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 tangible fixed assets 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 initial recognition, they are valued at cost, less accumulated amortization and, if applicable, the accumulated amount of impairment losses 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.

Lands 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%
Furniture	10%

Tangible fixed assets 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 investment 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 finance lease transactions in which the Company acts as lessor, at the initial moment of the lease, a credit is recognized for the present value of the minimum lease payments receivable plus the residual value of the asset, discounted at the implicit interest rate of the contract. The difference between the credit recorded in the asset and the amount receivable, corresponding to unearned interest, is charged to the consolidated income statement for the year as it accrues, in accordance with the effective interest rate method. In addition, the Company initially derecognizes the leased asset and recognizes the difference between the fair value and the net book value of the asset.

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, including the option to buy. 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.

Any collection or payment made under an operating lease is treated as a prepayment or collection, which is charged or credited to income over the lease term as the benefits of the leased asset are transferred or received.

4.7. Financial instruments

On initial recognition, the Company classifies financial instruments as a financial asset, a financial liability or an equity instrument, depending on the economic substance of the transaction.

A financial instrument is recognized when the Company becomes a party to the financial instrument, either as the acquirer, the holder or the issuer of the financial instrument.

4.7.1. Financial assets

The Company classifies its financial assets based on the business model applied to them and the cash flow characteristics of the instrument.

Management of the company determines the business model. It reflects the way in which each group of financial assets is jointly managed to achieve a specific business objective. The business model that the Company applies to each group of financial assets is the way in which the Company manages them in order to obtain cash flows.

When it comes to categorize the assets, the characteristics of the cash flows that accrue from them are also been considered. Specifically, it distinguishes between those financial assets whose contractual terms give rise, on specified dates, to cash flows that are collections of principal and interest on the principal amount outstanding (hereinafter, assets that meet the UPPI criterion), from all other financial assets (hereinafter, assets that do not meet the UPPI criterion).

In particular, financial assets from the company are classified as follows:

4.7.1.1. Financial assets at amortised cost

These correspond to financial assets to which the Company applies a business model whose objective is to receive the cash flows derived from the execution of the contract, and the contractual conditions of the financial asset give rise, on specified dates, to cash flows that are only collections of principal and interest, on the principal amount outstanding, even when the asset is admitted to trading on an organized market, so they are assets that meet the UPPI criterion (financial assets whose contractual terms give rise, on specified dates, to cash flows that are collections of principal and interest on the principal amount outstanding).

The Company considers that the contractual cash flows of a financial asset are only collections of principal and interest on the principal amount outstanding, when these are those of an ordinary or common loan, regardless of whether the transaction is agreed at a zero or below-market interest rate.

In general, this category includes trade receivables and non-trade receivables:

- Trade receivables: Financial assets arising from the sale of goods and the rendering of services in connection with the company's business transactions for deferred collection.

- Receivables from non-trade operations: Those financial assets that, despite the fact that they are not equity instruments or derivatives, they do not have a commercial origin and their collections are of a determined or determinable amount, arising from loan or credit operations granted by the Company.

They are initially recorded at the fair value of the consideration given plus directly attributable transaction costs.

Despite the facts mentioned above, trade receivables maturing within one year and which do not have a contractual interest rate are initially valued at their nominal value, provided that the effect of not discounting the cash flows is not significant, in which case they will continue to be valued subsequently at that amount, unless they are impaired.

Subsequent to initial recognition, they are valued at amortised cost. Accrued interest is recorded in the abridged income statement.

However, receivables maturing in less than one year which, in accordance with the provisions of the preceding paragraph, are initially valued at their nominal value, continue to be valued at that amount, unless they have been impaired.

When the contractual cash flows of a financial asset are modified due to the issuer's financial difficulties, the Company analyses whether an impairment loss should be recorded.

At year-end, the Company makes the appropriate impairment adjustments whenever there is objective evidence that the value of a financial asset, or of a group of financial assets with similar risk characteristics valued collectively, has been impaired as a result of one or more events occurring after initial recognition, which cause a reduction or delay in the collection of estimated future cash flows, which may be caused by the debtor's insolvency.

Impairment losses are recorded based on the difference between their book value and the present value at year-end of the estimated future cash flows to be generated (including those from the execution of real and/or personal guarantees), discounted at the effective interest rate calculated at the time of their initial recognition. For financial assets at variable interest rates, the Company uses the effective interest rate that, in accordance with the contractual terms of the instrument, is applicable at year-end. These adjustments are recognized in the consolidated income statement.

4.7.1.2. Financial Assets at fair value with changes in equity

This category includes financial assets that, in accordance with their contractual clauses, on specified dates, generate cash flows corresponding solely to principal and interest payments on the principal amount outstanding, and are not held for trading, nor are they classified in the "financial assets at amortised cost" category.

Investments in equity instruments for which the irrevocable option for classification as "Financial assets at fair value with changes in income statement" has been exercised are also included in this category.

They are initially recorded at the fair value of the consideration given plus directly attributable transaction costs (including preferential subscription rights and similar, if any, that the Company has had to pay or has undertaken to pay in order to acquire control of the asset).

Subsequent to initial recognition, these assets are measured at fair value, without taking into account any transaction costs that the Company may incur in the event of disposal. Changes in the fair value of financial assets are recorded as income or an expense directly charged to equity until the asset is derecognized or impaired, at which time the amount recognized in equity is charged to the consolidated income statement.

However, impairment losses and gains and losses resulting from exchange differences on monetary financial assets denominated in foreign currencies are recorded in the consolidated income statement.

Financial income (calculated using the effective interest rate method) from interest accrued on the financial instrument is recorded in the consolidated income statement. Likewise, dividends generated by the financial asset are recorded as income in the income statement, if it is undoubtedly distributing results that it has generated since the Company took control of it. Otherwise, they are recorded as a reduction in the cost of the asset.

At year-end, the Company makes the necessary impairment adjustments whenever there is objective evidence that the value of a financial asset, or group of financial assets classified in this category, with similar risk characteristics valued collectively, has deteriorated as a result of one or more events that have occurred since their initial recognition, and which have caused:

- In the case of debt instruments acquired, a reduction or delay in the estimated future cash flows resulting from the debtor's insolvency; or

- In the case of investments in equity instruments, the non-recoverability of the book value of the asset, evidenced by a prolonged or significant decline in its fair value. In any case, the Company presumes that the asset has suffered an impairment when:

  - There has been a continuous decline in its value for one and a half years or;
  - Forty percent of its market value,

without the recovery of its value and without prejudice to the recognition of an impairment loss prior to the occurrence of either of these two circumstances.

However, the valuation adjustments and results arising from exchange differences on financial assets denominated in a functional currency other than that of the Company are recorded in the income statement.

Impairment losses are recognized at the difference between their cost or amortised cost less, if applicable, any impairment loss previously recognized in the income statement, and the fair value at the time the valuation is made.

Accumulated impairment losses recognized in equity due to a decrease in fair value are recognized in the income statement. If in subsequent years the fair value increases, the valuation adjustment recognized in prior years will be reversed with a credit to the income statement for the year, unless the increase in fair value corresponds to an equity instrument, in which case, the valuation adjustment recognized in prior years will not be reversed with a credit to the income statement and the increase in fair value will be recorded directly against equity.

Reclassification of financial assets

When the company changes the way in which it manages its financial assets to generate cash flows, it shall reclassify all the assets affected in accordance with the criteria established in the preceding paragraphs. The reclassification of category is not a derecognition but a change in the valuation criteria.

For these purposes, changes arising from the following circumstances are not reclassifications:

(a) When an item that was previously a designated and effective hedging instrument in a cash flow hedge or in a hedge of the net investment in a foreign operation no longer meets the requirements to be considered as such.

b) When an item becomes a designated and effective hedging instrument in a cash flow hedge or in a hedge of the net investment in a foreign operation.

Derecognition of financial assets

Financial assets are derecognized from the balance sheet, as established in the Conceptual Accounting Framework of the Spanish National Chart of Accounts, approved by Royal Decree 1514/2007, of November 16, 2007, based on the economic reality of the transactions and not only on the legal form of the contracts that regulate them. Specifically, the derecognition of a financial asset is recorded, in whole or in part, when the contractual rights to the cash flows from the financial asset have expired or when it is transferred, provided that in such transfer substantially all the risks and rewards of ownership are transferred. The Company considers that the risks and rewards of ownership of the financial asset have been substantially transferred when its exposure to changes in cash flows is no longer significant in relation to the total change in the present value of future net cash flows associated with the financial asset.

If the Company has neither transferred nor retained substantially all the risks and rewards of the financial asset, the asset is derecognized when control is not retained. If the Company retains control of the asset, it continues to recognize it at the amount to which it is exposed to changes in the value of the transferred asset, i.e., for its continuing involvement, recognizing the associated liability.

The difference between the consideration received net of attributable transaction costs, considering any new asset obtained less any liability assumed, and the carrying amount of the financial asset transferred, plus any cumulative amount recognized directly in equity, determines the gain or loss arising on derecognition of the financial asset and forms part of the profit or loss for the year in which it arises.

The Company does not derecognize financial assets in transfers in which it retains substantially all the risks and rewards of ownership, such as bill discounting, factoring with recourse, sales of financial assets with repurchase agreements at a fixed price or at the sale price plus interest, and securitizations of financial assets in which the Companies retain subordinated financing or other types of guarantees that absorb substantially all the expected losses. In these cases, the Companies recognize a financial liability for an amount equal to the consideration received.

4.7.2. Financial liabilities

A financial liability is recognized in the abridged balance sheet when the Company becomes an obligor to the contract or legal business in accordance with the provisions of this.Specifically, the financial instruments issued are classified, in whole or in part, as a financial liability, provided that, in accordance with its economic reality, implies for the Company a direct or indirect contractual obligation to deliver cash or other financial asset or to exchange financial assets or liabilities with third parties in unfavorable conditions.

Also classified as a financial liability is any contract that can be settled with the company's own equity instruments, provided that:

- It is not a derivative that obligates or may obligate to deliver a variable amount of its own equity instruments.

- If it is a derivative with an unfavorable position for the Company, that can be settled by a form other than the exchange of a fixed amount of cash or another financial asset for a fixed amount of the Company's own equity instruments; for these purposes, those that are, in themselves, contracts for the future receipt or delivery of the Company's own equity instruments are not included among the Company's own equity instruments.

In addition, rights, options or warrants that allow obtaining a fixed number of the Company's own equity instruments are recorded as equity instruments, provided that the Company offers such rights, options or warrants on a proportional basis to all members of the same class of equity instruments. However, if the instruments grant the holder the right to settle them in cash or by delivering equity instruments based on their fair value or at a fixed price, they are classified as financial liabilities.

Contributions made as a result of joint ventures and similar agreements are valued at cost, increased or decreased by the gain or loss, respectively, corresponding to the company as a non-managing participant, less, if applicable, the accumulated amount of the valuation adjustments for impairment. In this case, when the entire cost of the joint venture account has been impaired, the additional losses generated by the joint venture account are classified as a liability.

Participating loans that accrue interest on a contingent basis are recorded in the same way, either because a fixed or variable interest rate has been agreed upon, conditional upon the achievement of a milestone in the borrower company (for example, the obtainment of profits), or because they are calculated exclusively by reference to the evolution of the borrower company's activity. The financial expenses accrued on the participating loan are recognized in the abridged profit and loss account in accordance with the principle of transaction costs are charged to the abridged income statement on an accrual basis, and transaction costs are charged to the abridged income statement on a straight-line basis over the life of the participating loan, if not applicable.

In those cases in which the Company does not transfer the risks and benefits inherent to a financial asset, it recognizes a financial liability for an amount equivalent to the consideration received.

The categories of financial liabilities, among which the Company classifies them, are as follows:

- Financial liabilities at amortised cost
- Financial liabilities at fair value with changes in Income Statement

4.7.2.1. Financial liabilities at amortised cost

In general, this category also includes trade payables and non-trade payables:

- Trade payables: financial liabilities arising from the purchase of goods and services in connection with the company's business operations with deferred payment; and

- Non-trade payables: financial liabilities which, not being derivative instruments, do not have a commercial origin, but arise from loan or credit operations received by the company.

  Participating loans that have the characteristics of an ordinary or common loan are also included in this category.

  Financial liabilities included in this category are initially measured at fair value, being the transaction price, which is the fair value of the consideration received adjusted for directly attributable transaction costs.

  However, trade payables maturing in less than one year and not bearing a contractual interest rate, as well as disbursements required by third parties on holdings, the amount of which is expected to be paid in the short term, are measured at nominal value, when the effect of not discounting cash flows is not significant.

  Subsequently, financial liabilities included in this category are measured at their amortised cost. Accrued interest are recognised in the profit and loss statement using the effective interest method. However, debts maturing in less than one year that are initially valued at their nominal value continue to be valued at that amount.

4.7.2.2. Financial liabilities at fair value with changes in the income statement

This category includes financial liabilities that meet any of the following conditions:

a) Liabilities held for trading.

b) Those irrevocably designated from initial recognition to be carried at fair value through the income statement, because:

- An accounting inconsistency or "accounting mismatch" with other instruments at fair value through profit or loss is eliminated or significantly reduced; or

A group of financial liabilities or financial assets and liabilities is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy and group information is also provided on a fair value basis to key management personnel.

4.7.2.3. Non-severable hybrid financial liabilities included on an optional and irrevocable basis.

Financial liabilities included in this category are initially measured at fair value, being the transaction price, which is the fair value of the consideration received. Transaction costs directly attributable to them are recognised in the consolidated income statement for the year.

After initial recognition, financial liabilities in this category are measured at fair value in the consolidated income statement.

In the case of renegotiation of existing debt, no material modification of the financial liability is deemed to exist when the lender of the new loan is the same as the lender of the original loan and the present value of the cash flows, including net fees, does not differ by more than 10% from the present value of the outstanding cash flows of the original liability calculated under the same method.

4.7.3. Derecognition of financial liabilities:

The Company derecognizes a financial liability when the obligation has been extinguished. The Company also derecognizes its own financial liabilities that it acquires (even if it intends to sell them in the future).

When debt instruments are exchanged with a lender, provided they have substantially different terms, the original financial liability is derecognized and the new financial liability that arises is recognized. In the same way, a substantial modification of the current conditions of a financial liability is recorded.

The difference between the book value of the financial liability, or of the part thereof that has been derecognized, and the consideration paid, including attributable transaction costs, and which also includes any asset transferred other than cash or liability assumed, is recognized in the abridged income statement for the year in which it occurs. in which it takes place.

When there is an exchange of debt instruments that do not have substantially different terms, the original financial liability is not derecognized from the abridged balance sheet, recording the amount of fees paid as an adjustment to its book value. The new amortised cost of the financial liability is determined by applying the effective interest rate, which is the rate that equals the carrying amount of the financial liability at the date of modification with the cash flows payable under the new conditions.

For these purposes, the terms of the contracts are considered to be substantially different when the lender is the same as the one that granted the initial loan and the present value of the cash flows of the new financial liability, including net commissions, differs by at least 10% from the present value of the cash flows pending payment of the original financial liability, both discounted at the effective interest rate of the original liability. Additionally, in those cases in which the difference is less than 10%, the Company also considers that the conditions of the new financial instrument are substantially different when there are other types of substantial modifications of a qualitative nature, such as: a change from a fixed interest rate to a variable interest rate or vice versa, the restatement of the liability in a different currency, an ordinary loan that becomes a participating loan, etc.

The Company records the effects of the approval of a creditors' agreement in the year in which it is judicially approved, provided that it is rationally expected to be complied with. For this purpose, the Company records such approval in two stages:

- First, it analyses whether there has been a substantial change in the terms of the debt by discounting the cash flows of the old and the new debt using the initial interest rate, and then, if applicable (if the change is substantial),

- Secondly, the Company records the derecognition of the original debt and recognize the new liability at its fair value (which implies that the interest expense on the new debt is recorded from that moment onwards at the market interest rate at that date).

4.8. 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.

4.9. 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.

4.10. 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 the income statement. 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.

Effective for fiscal years beginning on or after January 1, 2021, Law 11/2021, of July 9, on measures to prevent and combat tax fraud amends Article 9.4 of Law 11/2009, of October 26, which regulates Listed Real Estate Investment Companies (REITs).

Specifically, a special tax rate of 15% is introduced on the amount of the profit obtained in the year that is not distributed, in the part that comes from income that has not been taxed at the general corporate income tax rate and income that does not derive from the transfer of qualifying assets, once the three-year holding period has elapsed, that have been covered by the three-year reinvestment period provided for in Article 6.1.b) of Law 16/2012, of December 27, 2012. This special tax rate will be considered as a corporate tax liability and will accrue on the day of the resolution of application of the result of the fiscal year by the General Shareholders' Meeting or equivalent body. The self-assessment and payment of the tax must be made within two months from the date of accrual.

4.11. Provisions and contingencies

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

4.11.1. 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.

4.11.2. 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.

4.12. 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.

4.13. 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.

4.14. 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.

Expenses are measured at the fair value of the consideration received, net of discounts and taxes.

In order to determine if revenue should be recognised, the Company follows five steps:

1. Identification of a contract with a client
2. Identification of performance obligations
3. Determine the price of the transaction
4. Allocation of the transaction price to performance obligations
5. Recognition of revenue when performance obligations are accomplished

In all cases, the total transaction price of a contract is allocated among the various performance obligations on the basis of their relative independent sales prices. The transaction price of a contract excludes any amounts collected on behalf of third parties.

Revenue is recognized at a point in time or over time when (or as) the Company satisfies performance obligations by transferring promised goods or services to its customers.

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

4.15. 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.

4.16. Consolidated statement of cash flows

The consolidated statement of cash flows has been prepared using the indirect method, and the following expressions are used with the meanings indicated below:

- 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	2021	2020
Avalon Properties S.L.	247,997	247,997
	247,997	**247,997**
Initial amortisation	(60,267)	(35,467)
Additions	(24,800)	(24,800)
Final amortisation	**(85,067)**	**(60,267)**
Net Book Value	**162,930**	**187,730**

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 2021 or in 2020.

6. Intangible assets

The balances and changes in 2021 and 2020 in gross values, accumulated depreciation and impairment losses are as follows:

	01/01/2021	Additions	Disposals	31/12/2021
Gross values				
Patents, licenses, brands and others	**2,040**	-	-	**2,040**
	2,040	-	-	**2,040**
Accumulated Amortisation				
Patents, licenses, brands and others	**(431)**	**(204)**	-	**(635)**
	(431)	**(204)**	-	**(635)**
Net Book Value	**1,609**	**(204)**	-	**1,405**

	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**

As of 31 December 2021 and 2020 there are no fully amortised intangible asset.

7. Tangible fixed assets

The balances and changes in 2021 and 2020 in gross values, accumulated depreciation and impairment losses are as follows:

2021

	01/01/2021	Additions	Disposals	Transfers	31/12/2021
Cost					
Other fixtures	1,833	89,699	-	-	91,532
Furniture	47,181	20,241	-	-	67,422
Computers and electronic devices	27,204	19,740	-	-	46.944
Advances and property, plant and equipment in const.	-	-	-	-	-
	76,218	**129,680**	**-**	**-**	**205,898**
Accumulated Depreciation					
Other fixtures	(311)	(3,382)	-	-	(3,693)
Furniture	(8,346)	(4,575)	-	-	(12,921)
Computers and electronic devices	(12,816)	(8,151)	-	-	(20,967)
	(21,473)	**(16,108)**	**-**	**-**	**(37,581)**
Net Book Value	**54,745**	**113,572**	**-**	**-**	**168,317**

2020

	01/01/2020	Additions	Disposals	Transfers	31/12/2020
Cost					
Other fixtures	1,833	-	-	-	1,833
Furniture	88,580	-	-	(41,399)	47,181
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**
Accumulated Depreciation					
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**

Within the tangible fixed assets, the Group records mainly office furniture and computers. As of 31 December 2021, and 2020, there is no fully depreciated tangible fixed costs.

8. Investment property

The detail of "Investment Property" at 31 December 2021 and 2020 and the rollforward of the caption during those years is as follows:

2021

	01/01/2021	Additions	Disposals	Transfers	31/12/2021
Cost					
Land	68,562,332	22,254,880	-	9,264,443	100,081,655
Construction	84,840,375	32,104,636	-	(6,713,192)	123,658,203
Investment property in progress	17,229,183	954,193	-	(6,848,247)	11,335,129
	170,631,890	**55,313,709**	**-**	**9,129,388**	**235,074,987**
Accumulated Depreciation					
Construction	(3,257,477)	(2,277,776)	-	-	(5,535,253)
	(3,257,477)	**(2,777,776)**	**-**	**-**	**(5,535,253)**
Impairment					
Construction	(1,198,910)	(215,819)	133,324	-	(1,281,405)
	(1,198,910)	**(215,819)**	**133,324**	**-**	**(1,281,405)**
Net Book Value	**166,175,503**	**52,820,114**	**133,324**	**9,129,388**	**228,258,329**

2020

	01/01/2020	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**

Real estate investments correspond mainly to properties intended to be operated as rental housing.

Additions in 2021 correspond to the acquisitions of turnkey projects in Arganda del Rey, Torrejón de Ardoz and Alcalá de Henares and the investment made in projects for the refurbishment and conditioning of housing owned by the Group. During the year 2020 the additions corresponded to the acquisition of an asset in Arganda del Rey and to the refurbishment of homes.

The transfers in 2021 correspond to the final award of the properties of the Arganda 1 development by the Court of First Instance and Instruction No. 3 of Arganda del Rey on November 10, 2021 as part of the foreclosure procedure of the loan previously recorded by the Group under Short-term financial investments.

Also, 2021 includes the transfer of the amounts previously recorded under Investment property in progress associated with the turnkey projects acquired during the year.

The cancellations of the investment property caption in 2020 corresponded to the agreements reached by the Group to terminate the turnkey projects in progress in Rivas, Valdemoro, Alcalá P8, Cañaveral and Carabanchel. As a result of these cancellations, the Group proceeded to write off against "Outside Services" in the consolidated income statement the amounts capitalized to date, relating mainly to legal and technical advisors' fees, as well as an amount disbursed of 502 thousand euros in respect of penalties.

The amount of financial expenses capitalized as an increase in the value of investment property at December 31, 2021 amounted to €1,017,329 (€1,278,629 in 2020), capitalized in the year. These expenses corresponded to interest accrued on mortgage loans with Banco Sabadell (see note 15) and interest accrued on loans with related parties (see note 20), to finance properties that are under construction or remodeling and are expected to be in operating condition in a period of time exceeding one year.

The details of the investment properties held by the Group as of December 31, 2021 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 Société Générale.

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

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 and is mortgaged with Bankinter.

12) **Villalbilla:** Property located in Villalbilla in the Madrid province. The property was acquired on 5 September 2019 and is mortgaged with Société Générale.

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 and is mortgaged with Société Générale.

15) **Arganda 1:** located at Calle San Sebastián, 29, Arganda del Rey. The property has been awarded on November 10, 2021.

16) **Mirador de Aldovea:** located at Calle Valle del Cabriel, 8 in Torrejón de Ardoz. The property was acquired on March 31, 2021 and is subject to a mortgage guarantee with Société Générale.

17) **Terrazas de Alcalá:** located at Calle México, 13 in Alcalá de Henares. The property was acquired on August 30, 2021 and is subject to a mortgage guarantee with Société Générale.

At December 31, 2021, the Group has signed five turnkey contracts in Torrejón de Ardoz (Madrid), Villaverde (Madrid), Valdebebas (Madrid), Tetuán (Madrid) and Cañaveral (Madrid) with a total expected acquisition price of 154 million euros (including advances already delivered), which may be adjusted based on the buildable area, construction delays or savings in construction costs, recorded under the caption Investment property in progress. These developments are expected to be completed in 2022 and 2023.

The Group's portfolio as of 31 December 2021 has a total surface of 137.689 m2 (96,983 m2 as of 31 December 2020), being the occupancy as of 31 December 2021 of 84% (55% in 2020).

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 considered, 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 2021 amounts to €272,601,000 (€179,751,000 in 2020) for the existing assets and €182,666,000 (€219,584,000 in 2020) for the turnkey assets as of that date.

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 2021 amounting to €82,495 Euro (€1,198,910 in 2020).

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 2021 and 2020, the Company's directors determined that there are no coverage deficits of these risks.

On 10 February 2020, it was notarised 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.

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 had 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
	31.12.2021	31.12.2020
Less than one year	8,536,993	3,726,636
One to five years	32,479,257	12,330,520
More than five years	10,923,700	3,944,318
	51,939,950	20,001,474

The Group's expenses in its position as a lessee come from payment for the use of the offices of Avalon Properties, S.L.

In 2021, the lease agreement for the former corporate offices at 21 Ortega y Gasset Street, Madrid, expired and the Company moved its offices to 57 Serrano Street, Madrid, through the signing of a new lease agreement expiring on December 31, 2025.

	Minimum payments	Minimum payments
	31.12.2021	31.12.2020
Less than one year	194,700	22,800
One to five years	630,720	-
More than five years	-	-
	825,420	22,800

10. Non-current and current financial assets

The breakdown of the financial assets by category as of 31 December 2021 and 31 December 2020 is as follows:

	Non-current financial investments	Current financial investments		
	Receivables, derivatives and other	Loans receivables	Receivables, derivatives and other	Total
	31.12.2021	31.12.2021	31.12.2021	31.12.2021
Categories				
Financial assets at amortised cost	988,092	7,272,411	819,565	9,080,068
Financial assets at fair value with chnages in equity	390,912			390,912
	1,379,004	7,272,411	819,565	9,470,980

	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:				
Financial assets at amortised cost	232,952	16,322,775	1,245,766	17,801,493
	232,952	16,322,775	1,245,766	17,801,493

The balance recorded under "non-current financial investments" at 31 December 2021 amounting to €371,565 Euro (€232,952 in 2020) mainly consists of deposits received from leases that have been deposited in the Madrid Housing Institute (IVIMA).

In addition, the Group records in long-term financial investments an amount of €390,912 in 2021 (€0 in 2020) corresponding to the fair value of a CAP derivative instrument on the EURIBOR interest rate applicable to the loan described in note 10.

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

- The heading "Loans receivables" amounting €7,272,411 in 2021 (€16,319,275 in 2020) mainly includes two foreclosed mortgages secured by real estate located in Sanchinarro (Madrid) and Arganda del Rey.

- Arganda: Mortgage loan secured by 69 properties located in the town of Arganda del Rey (Community of Madrid) for €0 in 2021 (€8,993,743 in 2020) which was acquired from SAREB in August 2018.

On August 3, 2020, the Group was the provisionally awarded in the auction of the properties on which the mortgage guarantee falls.

During 2020, a financial income of €113,487 was generated from the discount of this loan (€0 in 2021).

On November 10, 2021, the Court of First Instance and Preliminary Investigation Nº3 of Arganda del Rey proceeded to award in favour of the Group these properties, recording a derecognition under the heading "Debt securities" in the amount of €9,129,388 (see note 8)

- Sanchinarro: Mortgage loan secured with 18 homes and 19 garages in the Sanchinarro neighborhood (Madrid) for €7,272,411 in 2021 (€7,325,532 in 2020). It was acquired to Deutsche Bank in August, 2018.

On March 11, 2021, the Group was the provisional successful bidder in the auction of the properties on which the mortgage collateral falls.

During 2020, a financial income of €102,182 was generated from the discount of this loan (€0 in 2021).

- During 2020 and 2021, 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 total of €3,647 Euro in 2021 (€2,456 in 2020).

- Additionally, in 2021 a credit line is recorded with one of the partners of Avalon Properties S.L, (Duron Properties, S.L.U.) in the amount of €555,530. This credit line accrues interest at a rate of 3%. The accrued and uncollected interest recorded at the end of 2021 amounts to €17,670.

- The heading "Clients" receivables for sales and services" in the accompanying consolidated balance sheet includes the balance receivable associated with leases. During the 2021 financial year, an impairment expense of €109,303 (€226,293 in 2020) has been recorded for receivables.

- Other short-term financial assets" in 2020 included mainly fixed-term deposits with Banco Sabadell amounting to €1,016,873 maturing in 2021 and bearing interest at 0%.

At December 31, 2021 and December 31, 2020, the Directors estimate that the fair value of short-term financial assets and their carrying amount do not differ significantly.

The maturities of the financial assets are as follows:

2021	2022	2023	2024	2025	Other	Total
Loans and receivables	7,272,411	-	-	-	616,527	7,888,938
Loans to related parties (note 20)	426,310	-	-	-	-	426,310
Clients and receivables (note 11)	375,507	-	-	-	-	375,507
Other financial assets	17,748	-	-	315,827	446,650	780,225
	8,091,976	-	-	315,827	1,063,177	9,470,980

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

11. Trade and other receivables

The breakdown of "Trade and other receivables" as of 31 December 2021 and 31 December 2020 is as follows:

	31.12.2021	31.12.2020
Clients	161,792	151,136
Receivables with related parties	209,258	-
Other debtors	4,457	8,959
Other receivables from Public Administrations (Note 17)	596,913	785,841
Total	972,420	945,936

The balance of "Clients" is presented net of allowances which as of 31 December 2021 amounted to €209,834 (€113,736 in 2020). The corresponding impairments are recorded based on the risk of possible default on collection of receivables. In 2021 impairment charges and allowances over receivables have been recorded for a total amount of €109,303 (€226,293 in 2020).

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 unpaid, 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 2021 and 2020 was received from credit institutions and from the ultimate parent company.

12.3. Interest rate risk

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 2021 and 2020 is as follows:

	31.12.2021	31.12.2020
Cash	2,288,662	1,650,357
Total	2,288,662	1,650,357

At December 31, 2021, the Group has restricted cash due to financing agreements signed with various banks amounting to €995,880 (at December 31, 2020, the Company did not have restricted cash with financial institutions).

14. Shareholders' Equity

14.1. Share Capital

Share capital amounts to €6,187,234 (€5,000,000 in 2020), represented by 6,187,234 shares (5,000,000 shares in 2020) with a par value of €1 each, represented by registered shares, all of the same class and series.

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

The group does not own 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.

The Parent Company has carried out capital increases during the 2021 financial year amounting to €1,187,234 of share capital and €2,733,638 of share premium.

Part of these shares have been subscribed by minority shareholders, so that AEREF V Iberian Residential Holdings, S.a.r.l.'s shareholding has increased from 100% at December 31, 2020 to 98.04% at December 31, 2021. As a result of these contributions, on April 14, 2021, the Parent Company ceased to be considered as a Sole-Shareholder Company.

14.2 Other shareholders contributions

During 2021, no shareholder contributions have been received.

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

Additionally, as stated in Note 14.1, on 3 February 2020, a share capital increase was completed amounting to €4,940,000 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 against the caption of other shareholders contributions.

14.3 Reserves and Profit/Losses from previous fiscal years

The breakdown is as follows:

	2021	2020
Negative results from previous years	(5,658,517)	-
Reserves in consolidated companies	(17,110,026)	(7,321,018)
Total	(22,768,543)	(7,321,018)

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 set up at the end of the financial years ended 31 December 2021 and 2020.

14.5 Minority Interests

The rollforward of the minority interests caption is as follows:

	Avalon Properties, S.L.
Balance at 31.12.2019	334,723
Profit/Loss in 2020	122,586
Changes in stake	(33,539)
Balance at 31.12.2020	423,770
Profit/Loss in 2021	101,872
Changes in stake	-
Balance at 31.12.2021	525,642

The change in scope 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	**2021**	**2020**
Avalon Properties, S.L.	525,642	423,770
	525,642	**423,770**

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 2021 and 2020 is as follows:

	Non-current financial liabilities			
	Debt held with related parties (note 20)	Bank borrowings	Other	Total
	31.12.2021	31.12.2021	31.12.2021	31.12.2021
Categorías:				
Financial liabilities at amortised cost	114,252,681	123,282,366	1,045,610	238,580,657
	114,252,681	123,282,366	1,045,610	238,580,657

	Current financial liabilities			
	Debt held with related parties (note 20)	Bank borrowings	Other	Total
	31.12.2021	31.12.2021	31.12.2021	31.12.2021
Categorías:				
Financial liabilities at amortised cost	15,914,256	2,304,051	2,873,295	21,091,602
	15,914,256	2,304,051	2,873,295	21,091,602

	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:				
Finacial liabilities at amortised cost	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:				
Financial liabilities at amortised cost	46,256,544	1,587,905	7,163,698	55,008,147
	46,256,544	1,587,905	7,163,698	55,008,147

During the year 2021, an amount of €5,000,000 has been paid for a debt contracted with the former owners of the subsidiary Compañía Europea de Arrendamientos Urbanos S.L.U. corresponding to the deferred payment of the purchase-sale process of the subsidiary.

The breakdown of "Bank borrowings" as of 31 December 2021 and 2020 is as follows:

Bank	Date	Amount	Waiting period	Maturity	Interest	2021	2020
Sabadell	26/07/2019	2,900,000	12 months	60 months	1,60%	2,784,329	2,828,324
Sabadell	02/08/2019	700,000	12 months	60 months	1,60%	674,089	684,338
Sabadell	02/08/2019	20,466,000	12 months	60 months	1,60%	19,730,412	20,038,663
Sabadell	30/07/2019	2,500,000	12 months	60 months	1,60%	2,399,243	2,436,767
Sabadell	15/07/2019	5,700,000	24 months	60 months	1,60%	5,585,606	5,623,593
Sabadell	02/08/2019	4,100,000	12 months	60 months	1,60%	3,946,266	4,005,550
Sabadell	02/08/2019	3,500,000	24 months	60 months	1,60%	3,420,152	3,449,857
Sabadell	15/07/2019	5,100,000	24 months	60 months	1,60%	4,997,392	5,031,281
Sabadell	28/01/2021	750,000	12 months	45 months	2,25%	712,675	-
Sabadell	28/01/2021	775,000	12 months	45 months	2,25%	562,715	-
Bankinter	26/03/2021	3,500,000	18 months	174 months	Euribor + 2%	3,448,189	-
Bankinter	28/06/2021	5,025,126	48 months	48 months	Euribor + 1,25%	5,011,978	-
Bankinter	23/08/2021	4,000,000	48 months	48 months	Euribor + 1,25%	3,957,735	-
Deutsche Bank	21/02/2007	4,500,000	120 months	480 monthss	Euribor + 0,9%	-	3,941,117
Sabadell	31/07/2019	3,200,000	12 months	48 months	1,60%	-	3,127,561
Sabadell	10/09/2021	2,276,000	12 months	12 months	2,50%	1,020,225	853,821
Sabadell	19/06/2020	10,000,000	12 months	180 months	2,25%	9,716,999	9,787,464
Société Générale	09/03/2021	72,000,000	48 months	48 months	Euribor + 2,25%	57,618,412	-
		150,992,126				**125,586,417**	**61,808,336**

As of 31 December 2021, the Group had received mortgage loans from different financial entities for a total amount of €131,991,000 (€62,666,000 in 2020) of which on 31 December 2021 there was an outstanding balance at amortised cost of €115,596,479 (€60,954,515 in 2020). 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 and Bankinter for a total amount of €11,301,126 (€2,276,000 in 2020) of which €9,989,938 had been disposed as of 31 December 2021 (€853,821 in 2020).

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)	31.12.2021	31.12.2020
1 year	2,304,051	1,587,905
2 years	1,338,578	1,220,010
3 years	42,236,501	1,277,568
4 years	68,268,652	44,922,540
5 years and after	11,438,635	12,800,313
	125,586,417	**61,808,336**

The financial expenses accrued in 2021 amounted to €2,871,671 (€1,261,364 in 2020).

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.

On March 9, 2021, the Group signed a Facility Agreement with Société Générale (branch office in Spain) as agent bank for a maximum amount of 72 million euros in aggregate.

During 2021, the Group has made drawdowns of €59.8 million mainly to repay the mortgage loans with Deutsche Bank and Sabadell, repay the outstanding principal of the Interest Bearing Bridge Facility Agreement with the parent company's parent company (see note 20), finance the costs associated with the financing and partially finance the acquisitions of the turnkey properties.

This financing, which matures four years after signing, bears interest at market rates.

The financing agreement includes clauses relating to compliance with ratios, both associated with the proportion of the value of the debt drawn down with respect to the real estate assets included in the "Loan to Value" scope and with respect to the proportion of such debt with respect to the revenues generated by the developments owned by the lending companies "Debt Yield". The Company considers that these conditions have been met as of December 31, 2021 and are expected to be met in the next 12 months.

b) Classification by maturity

The breakdown by maturity of the financial liabilities, with determined or determinable maturity at the close of 2021 is as follows:

	2022	2023	2024	2025	After	Total
Debts:						
Debt with related parties (Note 20)	15,914,256	-	-	-	114,252,681	130,166,937
Bank borrowings	2,304,051	1,338,578	42,236,501	68,268,652	11,438,635	125,586,417
Other financial liabilities	1,774,419	-	-	-	1,045,610	2,820,029
Accrued wages and salaries	237,000	-	-	-	-	237,000
Accounts payable (Note 16)	861,876	-	-	-	-	861,876
Total	21,091,602	1,338,578	42,236,501	68,268,652	126,736,926	259,672,259

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)	1,804,749	-	-	-	-	1,804,749
Total	55,008,147	1,220,010	1,277,568	44,922,540	94,122,456	196,550,721

16 Trade and other payables

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

	31.12.2021	**31.12.2020**
Sundry payables	802,675	1,767,580
Accrued wages and salaries	237,000	-
Current tax liabilities (Note 17)	-	91,006
Other payables with Public Authorities (Note 17)	226,147	201,421
Customer Advances	59,201	37,169
Total	**1,325,023**	**2,097,176**

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:

	2021	2020
	Days	Days
Average period of payment to suppliers	12	5
Ratio of transactions setlled	13	5
Ratio of transactions not yet settled	8	11

	2021	2020
	Amount	Amount
Total payments made	26,083,270	21,165,853
Total payments outstanding	1,453,317	1,888,318

17 Tax situation

Current tax receivables and payables

The breakdown of the current tax receivables and payables at 31 December 2021 and 31 December 2020 is as follows:

31 December 2021

	Receivables	Payables
Account	Current	Non-current
Value added tax	561,863	-
Personal Income Tax withholding	-	200,692
Current tax assets	-	-
Deferred tax assets	-	-
Assets from withholdings and payments on account	35,050	-
Current tax liabilities	-	3,884
Social Security Administrations	-	21,571
	596,913	226,147

31 December 2020

	Receivables	Payables
Account	Current	Non-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

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 2021 and 2020, is as follows:

2021	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	221,525	-	221,525	-	221,525	55.381
Pinarcam Vivienda Joven SOCIMI, S.L.U.	SOCIMI	(379,979)	-	(379,979)	-	(379,979)	-
Muflina Investment SOCIMI , S.L.U	SOCIMI	(2,524,412)	-	(2,524,412)	-	(2,524,412)	-
Iante Investment SOCIMI, S.A.U.	SOCIMI	(2,813,273)	-	(2,813,273)	-	(2,813,273)	-
Compañía Europea de Arrendamientos Urbanos SOCIMI, S.L.U.	SOCIMI	(768,986)	-	(768,986)	-	(768,986)	-
Nuciva Investments, S.L.U.	General	(276,532)	-	(276,532)	-	(276,532)	-
Jurisa Investments, S.L.U.	EDAV	(1,479,513)	-	(1,479,513)	-	(1,479,513)	-
Dalandia Investments, S.L.U.	EDAV	(2,766,595)	-	(2,766,595)	-	(2,766,595)	-
Burgo de Buenavista Gestión SOCIMI, S.L.U.	SOCIMI	(269,624)	-	(269,624)	-	(269,624)	-
Zonko Investments, S.L.U.	General	(102,812)	-	(102,812)	-	(102,812)	-
Aracalis Investments, S.L.U.	General	(889)	-	(889)	-	(889)	-
						Total	**55,381**

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 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.

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

	2021	2020
Current tax	55,381	91,006
Deferred tax	-	236,121
Total income tax expense	55,381	327,127

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 impaired the balance of tax credits in 2020 in the amount of €236,121.

The breakdown of the tax loss carryforwards generated in the previous tax years as of 31 December 2021 and 31 December 2020 is as follows:

Year	2021	2020
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	1,582,869	1,582,869
2020	4,104,722	-
Total	**6,599,810**	**2,495,088**

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 2021, 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.

Effective for fiscal years beginning on or after January 1, 2021, Law 11/2021, of July 9, on measures to prevent and combat tax fraud, amends section 4 of Article 9 of Law 11/2009, of October 26, which regulates Listed Real Estate Investment Companies (REITs). Specifically, a special tax rate of 15% is introduced on the amount of the profit obtained in the year that is not distributed, in the part that comes from income that has not been taxed at the general corporate income tax rate and income that does not derive from the transfer of qualifying assets, once the three-year holding period has elapsed, that have been covered by the three-year reinvestment period provided for in Article 6.1.b) of Law 16/2012, of December 27. This special tax rate will be considered as a corporate tax liability and will accrue on the day of the resolution of application of the result of the fiscal year by the General Shareholders' Meeting or equivalent body. The self-assessment and payment of the tax must be made within two months from the date of accrual.

18 Revenues and expenses

18.1 Revenue

Revenue from services rendered during 2021 and 2020 were all obtained in Spain, mainly from leases of residential developments and its breakdown by subsidiary is as follows:

	31.12.2021	31.12.2020
Muflina Investments Socimi, S.L.U.	1,792,030	1,683,077
Pinarcam Vivienda Joven Socimi, S.L.U.	474,600	474,404
Compañía Europea de Arrendamientos Urbanos S.L.U.	320,497	402,696
Jurisa Investments S.L.U.	1,988,885	691,168
Dalandia Investments S.L.U.	1,370,544	348,943
Burgo de Buenavista Gestión Socimi S.L.U.	359,241	301,426
	6,305,797	3,901,714

Of property rental income recognized in 2021, €337,911 (€235,662 in 2020) relates to income from the straight-line amortization of discounts included in the lease contracts, the balancing entry for which was an account for short-term asset accruals.

18.2 Other operating income

At December 31, 2021, the caption "Other operating income" mainly includes the invoicing for services rendered by the company Avalon Properties, S.L. to the related company Gunile Investments, S.L.U. and to the group Dorsono Investments, S.L.U. in the amount of €980,282 (€79,139 at December 31, 2020) (see note 20).

18.3 Personnel costs

The breakdown is as follows:

	31.12.2021	31.12.2020
Wages and salaries	(2,193,475)	(1,429,667)
Social Security	(234,444)	(192,509)
	(2,427,919)	(1,622,176)

18.4 Other operating expenses

The breakdown is as follows:

	31.12.21	31.12.20
Rentals and leases	134,862	55,869
Repairs and maintenance	1,331,807	861,427
Independent Professional Services	2,390,719	3,624,611
Insurance Premiums	328,371	164,254
Bank fees	80,937	85,655
Marketing	456,281	262,494
Utilities and other services	425,147	304,529
Other services	877,118	1,172,504
Tax	517,272	433,462
Impairment losses on trade receivables	109,303	226,293
	6,651,817	7,191,098

18.5 Depreciation and amortisation

The breakdown of depreciation and amortisation is as follows:

	2021	2020
Goodwill (Note 5)	24,800	24,800
Intangible assets (Note 6)	204	204
Property, plant and equipment (Note 7)	16,108	10,773
Investment Properties (Note 8)	2,277,776	1,864,206
	2,318,888	**1,899,983**

19 Financial profit / (loss)

19.1 Financial costs

The breakdown is as follows:

	31.12.21	31.12.20
Interests on related party debts (Note 20)	5,810,497	6,702,445
Interests on bank borrowings (Note 15)	2,871,671	1,261,364
	8,682,168	7,963,809

19.2 Finance income

The breakdown is as follows:

	31.12.21	31.12.20
Other financial income (Nota 10)	88,173	241,881
Capitalization of financial expenses	1,017,329	1,278,629
	1,105,502	1,520,510

Within the "Other financial income" caption as of 31 December 2021 and 2020 were recorded the financial income from the recording at amortised cost of the loans described in Note 10.

In 2021 mainly includes the income recognized as a result of the cancellation of the debt with Deutsche Bank for €70,315 described in note 15 with discount.

20 Related-party transactions

During 2021 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
Dorsono Investments, S.L.U.	Other related parties
Madrid Affordable Housing 2021, S.A.U.	Other related parties
Madrid Affordable Housing Development 2021, S.A.U.	Other related parties
Ares Management Luxembourg	Other related parties

The breakdown of the transactions held with related parties in 2021 and 2020 is as follows:

	2021 Revenue / (expense)		2020 Revenue / (expense)	
Concept	Sevices rendered	Interest accrued	Sevices rendered	Interest accrued
Parent company	-	(5,810,497)	-	(6,702,445)
Other related parties	980,282	17,856	79,139	1,193
Total related parties	980,282	(5,792,641)	79,139	(6,701,252)

The breakdown of balances held with related parties in years 2021 and 2020 is as follows:

	Receivables			Payables	
Concept	Clients	Long-term loans	Short-term loans	Long-term loans	Short-term loans
Parent company	-	-	18,867	(133,339,119)	(15,877,949)
Other group companies	13,484	-	-	-	-
Other related parties	195,774	616,527	407,443	(913,562)	(36,307)
Total empresas grupo y asociadas	209,258	616,527	426,310	(114,252,681)	(15,914,256)

	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)

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 2021, there was an outstanding principal balance drawn of 113.34 million Euro (80.8 million Euro in 2020), amounting the total drawdowns made in 2021 to 32.6 million Euro (19.3 million Euro of monetary drawdowns in 2020, of which 2,975,000 Euro were non-monetary drawdowns). Additionally, financial expenses have been accrued amounting to 4.3 million Euro (4.6 million Euro in 2020), 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 2021, there was an outstanding principal balance drawn of 0 million Euro (32.9 million Euro in 2020). During 2021 no drawdowns were made, having repaid a 32.9 million Euro balance (repayments of 9 million Euro in 2020). Additionally, financial expenses have been accrued amounting to 329,369 Euro (2.1 million Euro in 2020), being the payment of said interests outstanding in the current liabilities caption of the consolidated balance sheet.

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 2021 amount to 3,637 (2,456 Euro in 2020).

In addition, a credit line of 555,530 euros is recorded with this same partner in 2021. This credit line bears interest at a rate of 3%. The accrued and uncollected interest recorded at year-end amounts to 17,670 euros.

The long-term loans with other related parties caption as of December 31, 2021 corresponds to loans received by the company Duron Properties, S.L. and part of the management team for a total amount of €913,562. These loans have a maturity of 10 years and accrue an interest rate of 7%.

On July 27, 2018, a shareholders' agreement was signed between Iante Investments SOCIMI, S.A. Avalon Properties, S.L., and Duron Properties S.L. as well as a framework investment agreement ("Framework Agreement"), between AEREF V Iberian Residential Holding, SARL and Duron Properties, S.L. detailing the business agreements between the same.

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 the CEO of the company 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., 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. 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. on 27 July 2018 for the provision of asset management and investment services, property management and supervision services and other services. In 2021, this agreement has been extended to Dorsono Investments Group.

The business consists of establishing a platform in Spain 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.

- **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., have been eliminated from the consolidation process because the latter company is fully integrated.

The sums accrued by Board members in 2021 and 2020 for performing their functions as directors in the Company amounted to 564,750 Euro (564,750 Euro in 2020).

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:

	2021		
	Men	Women	Total
Directors	1	-	1
Other managers	1	1	2
Administrative	7	5	12
Basic tasks	3	-	3
Total	**12**	**6**	**18**

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

The number of staff employed by the Group at the close of 2021 and 2020, is as follows:

	2021		
	Men	Women	Total
Directors	1	-	1
Other managers	1	1	2
Administrative	7	5	12
Basic tasks	3	-	3
Total	**12**	**6**	**18**

	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**

During 2021 and 2020, there was an employee 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: Leases and Corporate.

The Leases 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 (2021)		
ASSETS	Leases	Corporate	Consolidated
NON-CURRENT ASSETS			
Intangible assets	-	1,405	1,405
Tangible fixed assets	-	168,317	168,317
Investment properties	226,703,784	1,554,545	228,258,329
Long-term investments in group and subsidiaries	-	616,527	616,527
Long-term financial investments	708,566	53,911	762,477
Goodwill	-	162,930	162,930
TOTAL NON-CURRENT ASSETS	**227,412,350**	**2,557,635**	**229,969,985**
CURRENT ASSETS			
Inventory	48,639	94,253	142,892
Trade and other receivables	201,298	771,122	972,420
Related parties receivables	-	426,310	426,310
Current financial investments	7,287,591	2,568	7,290,159
Short-term accruals	603,369	-	603,369
Cash and other cash equivalents	1,620,847	667,815	2,288,662
TOTAL CURRENT ASSETS	**9,761,744**	**1,962,068**	**11,723,812**
TOTAL ASSETS	**237,174,094**	**4,519,703**	**241,693,797**

	Euros (2021)		
EQUITY AND LIABILITIES	Leases	Corporate	Consolidated
EQUITY			
Share Capital	-	6,187,234	6,187,234
Other equity items	(34,408,477)	10,016,634	(24,391,843)
TOTAL EQUITY	**(34,408,477)**	**16,203,868**	**(18,204,609)**
NON-CURRENT LIABILITIES			
Non-current debts	115,363,341	8,964,635	124,327,976
Debts to related parties	83,094,565	31,158,116	114,252,681
TOTAL NON-CURRENT LIABILITIES	**198,457,906**	**40,122,751**	**238,580,657**
CURRENT LIABILITIES			
Current debts	4,073,392	5,078	4,078,470
Current loans with related parties	6,988,043	8,926,213	15,914,256
Short-term accruals and other payables	728,568	596,455	1,325,023
TOTAL CURRENT LIABILITIES	**11,790,003**	**9,527,746**	**21,317,749**
TOTAL EQUITY AND LIABILITIES	**175,839,432**	**65,854,365**	**241,693,797**

IANTE INVESTMENTS SOCIMI, S.A.
Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

ASSETS	Euros (2020) 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 fnancial investments	210,121	22,831	232,952
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
Short-term investments in group and subsidiaries	-	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**

EQUITY AND LIABILITIES	Euros (2020) 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
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**

The business information provided to the Parent Company's board of directors on the consolidated income statement for 2021 is as follows:

	Euros (2021)		
	Leases	**Corporate**	**Consolidtaed**
Revenue	6,305,797	-	6,305,797
Other operating income	1,235	1,045,161	1,046,396
Personnel costs	-	(2,427,919)	(2,427,919)
Other operating expenses	(6,944,522)	292,705	(6,651,817)
Depreciation and amortisation	(2,277,776)	(41,112)	(2,318,888)
Other profit/(losses)	-	-	-
Impairment and gains of non-current assets	(82,495)	-	(82,495)
PROFIT/(LOSS) FROM OPERATIONS	**(2,997,761)**	**(1,131,165)**	**(4,128,926)**
Financial income	70,317	17,856	88,173
Financial costs	(7,084,754)	(1,597,414)	(8,682,168)
Change in fair value of financial instruments	(33,830)	-	(33,830)
Exchange differences	-	-	-
Other financial income	1,017,329	-	1,017,329
FINANCIAL LOSS	**(6,030,938)**	**(1,579,558)**	**(7,610,496)**
PROFIT / (LOSS) BEFORE TAX	**(9,028,699)**	**(2,710,723)**	**(11,739,422)**
Income tax		(55,381)	(55,381)
PROFIT / (LOSS) FOR THE YEAR	**(9,028,699)**	**(2,766,104)**	**(11,794,803)**

	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)**
Financial income	241,881	-	241,881
Financial costs	(4,269,874)	(3,693,935)	(7,963,809)
Exchange differences	-	(2,989)	(2,989)
Other financial income	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)**

23 Guarantees

As of 31 December 2021 and 2020, the Group has the following outstanding guarantees:

24.1 Bank Guarantees

On 31 December 2021, the Group has provided bank guarantees amounting to 1.55 million euros (5 million Euro in 2020) which correspond to the guarantee provided in 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 2021, the Group has bank guarantees outstanding provided to the sellers of the turnkey projects described in note 8 for a total amount of 34 million Euro (41 million Euro in 2020) with the bank Bankinter.

24.2 Other guarantees

a) Other guarantees provided:

As of 31 December 2021 and 2020, 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:

	2021	2020
Audit services	67,556	68,750
Other services	-	5,000
	67,556	73,750

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:

- During February 2022, the "Interest Bearing Credit Facility" loan granted by AEREF V Iberian Residential Holdings, S.A.R.L was drawn down for a total amount of €16,611,002.

- On February 2, 2022, the Parent Company of the Group carried out two capital increases for an amount of €6,149,999 and €338,999 euros respectively by issuing 1,863,636 and 102,727 shares for a par value of 1 euro and a share premium of 2.30 euros, respectively.

- On February 7, 2022, the Parent Company of the Group acquired 100% of the shares of Compañía de Financiación, Explotación e Inversión, S.L., owner of a historic building located at calle Conde de Romanones 5 (Madrid) through the purchase of 226,984 shares representing the entire share capital of the Company**.**

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 2021

This report includes notes on the evolution of the consolidated annual accounts of Iante Investments SOCIMI, S.A., 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 6.3 million Euro in 2021, resulting in an increase of 62% compared to the 3.9 million Euro in 2020, as a result of the increase in the occupation rate and the acquisition of new the assets during the year.

Consolidated losses amounted to -11.8 million Euro in 2021 (compared to -14.8 million Euro losses in 2020) as a result of start-up costs for new assets and vacant capacity during the year.

The investment properties balance as of 31 December 2021 amounts to 228.3 million Euro (166.2 million Euro in 2020), as a result of the acquisition of three additional assets and the investment made in the remodelling of existing buildings of the Group like turnkey projects.

Bank borrowings amounted as of 31 December 2021 to 125.6 million Euro (61.8 million Euro in 2020) and the loans payable to related parties amounted to 130.2 million Euro (127.1 million Euro in 2020) due to the investment effort made during the year.

2. Business performance

2.1. Business performance

During the year 2021, the Group, through its subsidiaries, has acquired the turnkey projects in Arganda del Rey, Torrejón and Alcalá P9 implying the incorporation to the Group of a volume of 274 homes. In addition to this, during the year 2021, the Group has been awarded with 69 homes in a property located at Calle San Sebastián, 29, linked to a SAREB loan.

Likewise, during the year 2021, progress has continued to be made in the occupancy plans for the assets, concluding the year with an occupancy rate of 84% (55% in 2020).

IANTE's rental housing portfolio has shown a very solid performance during the year in terms of the existing demand, which has been reflected in the group's capacity to substantially improve the occupancy of the assets in operation despite the difficulties existing in the market in view of the current COVID-19 pandemic situation.

3. Outlook for the Group

3.1. Revenue

It is expected that in 2022, revenues will increase as a result of the incorporation of new housing in operation, from new assets to be acquired during the period or from existing assets currently in the rehabilitation phase that will be completed during this period. In addition, it is expected that revenues will increase because of the signing of new rental contracts for those existing homes whose contracts expire.

3.2. Investments

The Group is currently analysing various opportunities for adding new assets to its portfolio in 2022. 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 2022.

3.3. Consolidated profit/(loss)

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 2021 and 2020.

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:

	2021	2020
	Days	Days
Average period of payment to suppliers	12	5
Ratio of transactions settled	13	5
Ratio of transactions not yet settled	8	11

	2021	2020
	Amount	Amount
Total payments made	26,083,270	21,165,853
Total payments outstanding	1,453,317	1,888,318

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:

- During February 2022, the "Interest Bearing Credit Facility" loan granted by AEREF V Iberian Residential Holdings, S.A.R.L. was drawn down for a total amount of 16,611,002 euros.

- On February 2, 2022, the Parent Company of the Group carried out two capital increases for an amount of 6,149,999 euros and 338,999 euros respectively by issuing 1,863,636 and 102,727 shares for a par value of 1 euro and a share premium of 2.30 euros, respectively.

- On February 7, 2022, the Parent Company of the Group acquired 100% of the shares of Compañía de Financiación, Explotación e Inversión, S.L., owner of a historic building located at calle Conde de Romanones 5 (Madrid) through the purchase of 226,984 shares representing the entire share capital of the Company.

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 vice versa.

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 2021 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 2021 amounted to 18 (12 employees in 2020).

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. 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 2021.

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 2022

Mr. Kevin Jeremiah Cahill
Chair

Mr. Pablo Paramio García
Board Member

Mrs. Mª Lorena Salamanca Cuevas
Board Member Secretary