RSR SINGULAR ASSETS EUROPE SOCIMI, S.A.
(Sole Shareholder Company)

Financial statements and management report for the 2021 financial year

RSR SINGULAR ASSETS EUROPE SOCIMI, S.A.
BALANCE SHEET AT 31 December 2021
(Data expressed in euros)

ASSET	Notes	31 December 2021	31 December 2020
NON-CURRENT ASSET		**106,215,894**	**102,353,894**
Intangible fixed assets	**5**	**338,551**	**408,050**
Other intangible fixed assets		338,551	408,050
Property, plant and equipment	**6**	**1,583,889**	**1,810,720**
Technical installations and other tangible assets		1,583,889	1,810,720
Real estate investments	**7**	**69,474,684**	**71,133,835**
Land		34,950,290	34,950,290
Constructions		34,524,394	36,183,545
Long-term investments in group companies and associates		**33,773,481**	**27,956,000**
Equity instruments	9	14,038,481	956,000
Loans to company	10 a) and 17	19,735,000	27,000,000
Long-term financial investments	**10 a)**	**115,216**	**115,216**
Other financial assets		115,216	115,216
Deferred tax assets	**14**	**930,073**	**930,073**
CURRENT ASSET		**4,918,196**	**3,673,696**
Trade debtors and other accounts receivables		**1,949,945**	**1,431,186**
Trade receivables for sales and services	10 a)	869,571	339,970
Clients with group companies	10 a)	443,217	443,217
Sundry receivables	10 a)	637,050	642,492
Other loans with public administrations	14	107	5,507
Short-term investments in group companies and associates	**10 a) and 17**	**359,299**	**172,664**
Other financial assets		359,299	172,664
Short-term financial investments	**10 a)**	**56,856**	**300**
Other financial assets		56,856	300
Cash and cash equivalents	**11**	**2,552,095**	**2,069,546**
Cash flow		2,552,095	2,069,546
TOTAL ASSETS		**111,134,089**	**106,027,590**

Notes 1 to 21 of the report form an integral part of the financial statement at 31 December 2021.

RSR SINGULAR ASSETS EUROPE SOCIMI, S.A.
BALANCE SHEET AT 31 December 2021
(Data expressed in euros)

NET EQUITY AND LIABILITIES	Notes	31 December 2021	31 December 2020
NET EQUITY		**31,825,495**	**27,707,337**
OWN FUNDS		**31,825,495**	**27,707,337**
Capital	**13**	**7,500,000**	**7,500,000**
Authorised capital		7,500,000	7,500,000
Issue premium		**3,500,000**	**3,500,000**
Reserves		**9,450,935**	**9,450,932**
Legal and bylaws	13	251,741	251,741
Other reserves		9,199,194	9,199,191
Income from previous financial years		**-9,715,654**	**-5,771,536**
Surplus		171,995	171,995
Negative income from previous financial years		-7,915,590	-5,943,531
Other shareholder contributions	**13**	**20,500.00**	**15,000,000**
Income from the financial year	**3**	**-1,138,845**	**-1,972,059**
NON-CURRENT LIABILITIES		**75,866,860**	**76,975,949**
Long-term debts		**44,674,214**	**45,783,303**
Bank loans	10 b)	44,559,794	45,668,883
Other financial liabilities	10 b)	114,420	114,420
Long-term debts with group companies and associates	10 b) and 18	**31,192,646**	**31,192,646**
CURRENT LIABILITIES		**3,441,734**	**1,344,304**
Short-term debts	**10 b)**	**2,308,766**	**773,429**
Bank loans		1,564,272	-
Other financial liabilities		744,494	773,429
Short-term debts with group companies and associates	**10 b) and 18**	**914,529**	**285,784**
Trade creditors and other payables		**218,440**	**285,091**
Suppliers	10 b)	8,109	8,109
Misc. creditors	10 b)	2,741	181,993
Personnel (outstanding payments due)	10 b)	2,314	2,314
Other debts with public administrations	14	205,276	92,676
TOTAL LIABILITY AND NET EQUITY		**111,134,089**	**106,027,590**

Notes 1 to 21 of the report form an integral part of the financial statement at 31 December 2021.

RSR SINGULAR ASSETS EUROPE SOCIMI, S.A.
PROFIT AND LOSS ACCOUNT FOR THE FINANCIAL YEAR

ENDING 31 DECEMBER 2021

(Data expressed in euros)

	Notes	1 January to 31 December 2021	1 January to 31 December 2020
Net turnover amount	**17 a)**	**4,208,165**	**3,621,632**
Provision of services		4,208,165	3,621,632
Personnel expenses		**-39,230**	**-36,343**
Wages, salaries and similar expenses		-29,821	-27,627
Social Security contributions		-9,409	-8,716
Other operating expenses	**17 b)**	**-1,656,477**	**-1,483,522**
Outsourced services		-1,330,907	-1,180,232
Taxes		-325,569	-303,290
Depreciation of fixed assets	**17 c)**	**-2,154,926**	**-2,151,163**
Other income		**1,632**	**-8,638**
OPERATING INCOME		**359,164**	**-58,034**
Financial income	**17 d)**	**358,969**	**172,334**
From marketable securities and other financial instruments		358,969	172,334
Financial expenses	**17 d)**	**-2,099,978**	**-2,086,359**
From debts with group companies and associates.	18	-781,353	-841,111
From debts with third parties		-1,318,625	-1,245,248
FINANCIAL INCOME		**-1,741,009**	**-1,914,025**
PRE-TAX INCOME		**-1,381,845**	**-1,972,059**
Income tax		**-**	**-**
INCOME FOR THE FINANCIAL YEAR	**3**	**-1,381,845**	**-1,972,059**

Notes 1 to 21 of the report form an integral part of the financial statement at 31 December 2021.

RSR SINGULAR ASSETS EUROPE SOCIMI, S.A.

STATEMENT OF CHANGES IN NET EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

A) RECOGNISED EXPENSES AND INCOME STATEMENT
CORRESPONDING TO THE YEAR ENDING 31 DECEMBER 2021
(Data expressed in euros)

	Notes	1 January to 31 December 2021	1 January to 31 December 2020
Income from profit and loss account	**3**	**-1,381,845**	**-1,972,059**
Income and expenses charged directly to equity		-	-
Total income and expenses charged directly to net equity		**-**	**-**
Transfers to profit and loss account		**-**	**-**
Total transfers to the profit and loss account		**-**	**-**
TOTAL RECOGNISED INCOME AND EXPENSES		**-1,381,845**	**-1,972,059**

Notes 1 to 21 of the report form an integral part of the financial statement at 31 December 2021.

RSR SINGULAR ASSETS EUROPE SOCIMI, S.A.
STATEMENT OF CHANGES IN NET EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

B) TOTAL STATEMENT OF CHANGES TO NET EQUITY CORRESPONDING TO THE FINANCIAL YEAR ENDED 31 DECEMBER 2021
(Data expressed in euros)

	Authorised capital (Note 13)	Issue premium	Reserves	Income from previous financial years	Other shareholder contributions (Note 13)	Income from the financial year (Note 3)	TOTAL
BALANCE AT 01/01/2020	**7,500,000**	**3,500,000**	**9,211,970**	**-4,290,828**	**12,000,000**	**-1,480,709**	**26,440,433**
Total recognised income and expenses	-	-	-	-	-	-1,972,059	-1,972,059
Operations with shareholders or owners							
Other operations with shareholders or owners	**-**	**-**	**-**	**-**	**3,000,000**	**-**	3,000,000
Other variations in net equity	-	-	238,962	-1,480,709	-	1,480,709	238,963
FINAL BALANCE AT 31/12/2020	**7,500,000**	**3,500,000**	**9,450,932**	**-5,771,537**	**15,000,000**	**-1,972,059**	**27,707,337**
Total recognised income and expenses	-	-	-	-	-	**-1,381,845**	**-1,381,845**
Operations with shareholders or owners	**-**	**-**	**-**	**-**	**5,500,000**	**-**	**5,500,000**
Other operations with shareholders or owners	-	-	-	-	5,500,000	-	5,500,000
Other variations in net equity	-	-	3	-1,972,059	-	1,972,059	3
FINAL BALANCE AT 31/12/2021	**7,500,000**	**3,500,000**	**9,450,935**	**-7,743,595**	**20,500,000**	**-1,381,845**	**31,825,495**

Notes 1 to 21 of the report form an integral part of the financial statement at 31 December 2021.

RSR SINGULAR ASSETS EUROPE SOCIMI, S.A.

CASH FLOW STATEMENT CORRESPONDING TO THE FINANCIAL YEAR

ENDED 31 DECEMBER 2021

(Expressed in euros)

	Notes	1 January to 31 December 2021	1 January to 31 December 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income from the financial year before taxes	**3**	**-1,381,845**	**-1,972,059**
Adjustments of the income		**3,895,935**	**4,065,188**
Depreciation of fixed assets	17 c)	2,154,926	2,151,163
Financial income	17 d)	-358,969	-172,334
Financial expenses	17 d)	2,099,978	2,086,359
Changes in working capital		**-651,165**	**-117,111**
Debtors and other receivables		-518,759	233,212
Other current assets		-65,755	-150
Creditors and other payables		-66,651	-350,173
Other current liabilities		-	-
Other cash flows from operating activities		**-1.033783**	**-1,914,025**
Interest paid		-1,033,783	-2,086,359
Interest received		-	172,334
Cash flows from operating activities		**829,141**	**61,993**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for investments		**-6,016,925**	**-6,306,314**
Property, plant and equipment	**6**	-82,715	-14,792
Real estate investments	7	-116,729	-305,681
Other financial assets		-	-7,467
Group companies and associates		**-5,817,481**	**-5,978,374**
Equity instruments	9, 10	-5,082,481	-950,000
Loans to company	9, 10	-735,000	-5,028,374
Cash flows from investing activities		**-6,016,925**	**-6,306,314**
CASH FLOWS FROM FINANCING ACTIVITIES			
Collections and payments from equity instruments		**5,500,003**	**3,238,963**
Shareholder contributions	**13**	5,500,003	3,238,963
Other variations in equity			
Financial debt instrument payments and receivables		**170,330**	**638,658**
Issue:		***700,000***	***1,668,883***
Bank loans	**10 b)**	700,000	1,668,883
Debts with group companies and associates		-	-
Refund and depreciation:		***-529,670***	***-1,030,225***
Bank loans	**10 b)**	-529,670	-
Debts with group companies and associates		-	-1,030,225
Other financial liabilities		**-**	**-**
Cash flows from financing activities		**5,670,333**	**3,877,621**
EFFECT OF EXCHANGE RATE VARIATIONS		-	-
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**482,549**	**-2,366,700**
Cash and cash equivalents at the beginning of the financial year	11	**2,069,546**	**4,436,246**
Cash and cash equivalents at the end of the financial year	11	**2,552,095**	**2,069,546**

Notes 1 to 21 described in the report form an integral part of the flow statement for the 2021 and 2020 financial year.

RSR SINGULAR ASSETS EUROPE SOCIMI, S.A.
Report for the financial year ended
31 December 2021

1) <u>Activity</u>

The company RSR Singular Assets Eruope SOCIMI, S.A., hereinafter the Company, was established on 30 July 2015, under the name RSR Diagonal 596 S.L. The sole shareholder approved its transformation into a public limited company on 13 September 2018, under the new name RSR Diagonal 596, S.A.U.

Its corporate address is calle General Arrando, 1-3 dcha in Madrid, where it operates.

A deed for a take-over merger between RSR Diagonal 596 S.A.U and Verrox XXI, S.L.U. and PDG 115 Apartaments Turístics S.L.U. was granted on 13 September 2018, through the take-over by the former party of the two latter parties and wound up without going into liquidation of the taken-over companies and the block transfer of their respective assets to the merging company, as universal successor.

The merger operation is covered by the tax neutrality regime established in Chapter VII of Title VII of Law 27/2014 dated 27 November on Corporation Taxation, the mandatory notification of which has been sent to the Tax Administration in the manner and within the statutorily determined deadlines in order to avail of benefits established therein and in accordance with the aforementioned regulations.

The data relating to said merger was included in the financial statement for the year ended 13 September 2018.

The sole shareholder approved the adoption of the REIT [Real Estate Investment Trusts special regime] for the financial year ending on 13 September 2018 and successive years on 14 September 2018, requesting the application of the special taxation regime on 28 September 2018 from the Tax Agency in accordance with the provisions of Law 11/2009 dated 26 October as restated in Law 16/2012 dated 27 December, regulating REIT (“REIT legislation”).

For this reason, the Company’s name was changed on 14 September 2018 to RSR Diagonal 596 SOCIMI S.A.U. and finally changed to its current name on 25 October 2018.

Two corporate financial year modifications took place during the 2018 financial year. The corporate financial year was the same as the calendar year following these modifications.

The Company’s corporate purpose was modified on 14 September 2018 and according to its articles of association, it is:

a) the acquisition and development of real estate of an urban nature for lease.

b) the holding of shares in the capital belonging to Estate Investment Trusts (Real Estate Investment Trusts or REITs) or in that of other entities not resident in Spain with the same corporate purpose as them and that are subject to a regime similar to that established for REITs in terms of the mandatory legal or statutory profit distribution policy.

c) holding shares in the capital of other entities, whether they are resident in Spain or not, whose main corporate purpose is the acquisition of urban real estate for lease, and which are subject to the same regime established for REITs in terms of mandatory legal or statutory profit distribution policy and who meet the investment requirements for these companies.

d) to holding shares or participations in Real Estate Collective Investment Institutions regulated in Law 35/2003 dated 4 November on Collective Investment Institutions, or any regulation that may replace it in the future.

The Company may also perform other ancillary activities, which are understood as such as a whole any of their income that represents less than 20% of the Company's income in each tax period or those that may be considered ancillary in accordance with the applicable law at every time.

The activities comprising the corporate purpose may be fully or partially developed either indirectly through shares in other companies with an identical or similar purpose.

The Company and its direct parent company belong to a group whose registered office is domiciled in Luxembourg. The Company has not prepared a consolidated financial statement as it is exempt from this duty in accordance with the provisions of current regulations.

The following is a list of the main elements that define the REIT regime that the Company is covered under.

<u>REIT regime</u>

The Company is regulated by Law 11/2009 dated 26 October modified by Law 16/2012, dated 27 December and by Law 11/2021 dated 9 July, which regulates Public Limited Companies. Listed for Investment in the Real Estate Market.

Below are the main features that define the REIT regime and that must be fulfilled for the correct application of the regime:

1. Corporate purpose duty.

Their main corporate purpose must be the possession of urban real estate for lease, holding of shares in other REITs or companies with similar corporate purpose and with the same dividend distribution regime, as well as in Collective Investment Institutions

2. Investment duty.

- They must invest at least 80% of the assets in real estate intended for leasing, in land for the development of real estate that will be used for this purpose provided that the development begins within three years of its acquisition and equity in the capital of other entities with a corporate purpose similar to that of REITs.

  The value of the asset will be determined according to the average of the quarterly balance sheets for the financial year with the option of choosing to replace the book value with the market value of the integral elements of such balance sheets to calculate this value, which would be applied in all balance sheets for the financial year. For these purposes, the money or credit rights from the transfer of said properties or shares that have taken place during the same or previous financial years will not be calculated, as long as the term of reinvestment referred to in article 6 of said Law has not elapsed in the latter case.

This percentage will be calculated on the consolidated financial statements in the event that the company belongs to a group according to the criteria established in Article 42 of the Commercial Code, regardless of residence and the duty to prepare consolidated financial statement. This group will be composed exclusively of REITs and the other entities referred to in section 1 of Article 2 of the Law.

- 80% of its income in the tax period must also come from: (i) leasing of real estate; and (ii) dividends from investments. This percentage will be calculated on the consolidated profit and loss accounts of the group to which it belongs.

Real estate must remain leased for at least three years (adding up to one year of the period they have been offered on lease for the calculation).

The deadline is calculated as follows:

a) In the case of real estate that appears in the Company's equity prior to being covered by the regime, from the date that the first tax period in which the special fiscal regime established in this Law is applied commences, provided that the property will be leased or offered on lease at this date. Otherwise, the provisions of the following letter will apply.

b) In the case of real estate developed or subsequently acquired by the Company, from the date on which they were leased or offered for lease for the first time.

c) Any shares or equity of entities referred to in section 1 of Article 2 of this Law must remain part of the Company's asset for at least three years from their acquisition or from the beginning of the first tax period in which the special tax regime established in this Law is applied, if applicable.

3. Duty to trade in a regulated market.

REITs must be admitted to trading on a Spanish regulated market or in any other country where there is an exchange of tax information. The shares must be registered. The Company has been trading on the Euronext secondary market since 3 September 2020.

4. Duty to distribute the income.

The Company must distribute the following as dividends, once the commercial requirements have been met:

- 100% of the profits from dividends or equity in profits distributed by the entities referred to in section 1 of Article 2 of Law 11/2009.

- At least 50% of the profits derived from the transfer of real estate and shares or equity referred to in section 1 of Article 2 of Law 11/2009, taking place once the minimum holding periods have elapsed, subject to fulfilment of its main corporate purpose. The rest of this profit must be reinvested in other real estate or shares. Subject to compliance with that purpose, within three years of the date of transfer.

- At least 80% of the remaining profit obtained. Whenever the distribution of dividends is charged to reserves from profits of a financial year when the special tax regime has been applied, its distribution must be adopted in the manner described above.

5. Duty of information.

The REITs must include the information required by tax regulations regulating the special REIT regime in its financial statement report.

6. Minimum capital.

The minimum corporate capital has been set at 5 million euros.

The application of the special tax regime may be chosen in the terms established in Article 8 of Law, even if the requirements required therein are not met provided that such requirements are met within two years from the date of the option to apply said regime.

Failure to comply with any of the above conditions will result in the Company being taxed through the general corporation tax regime from the taxation period when such non-compliance takes place unless it is corrected in the following financial year. The Company will also be required to deposit the difference between the fee resulting from the application of the general regime and the fee paid that resulted from the application of the special tax regime in the previous tax periods along with the fee for that period, without prejudice to any interest on arrears, surcharges and penalties that may apply.

The REIT tax rate in corporation tax is set at 0%. However, whenever the dividends distributed by REIT to its shareholders with an equity percentage higher than 5% are exempt or taxed at a rate lower than 10%, the REIT will be subject to a special tax of 19%, which will be considered as a corporation tax payment of the dividend distributed amount to said shareholders. If applicable, this special tax must be paid by REIT within two months from the date of distribution of the dividend.

The euro is the functional currency that the Company is operating with.

The Company is a sole shareholder company, having complied with all the duties established by commercial law.

The period of the Company's financial year corresponds to the period beginning on 1 January 2021 and ending on 31 December 2021.

2) Basis for presentation of financial statement

a) True and fair view

The financial statement, consisting of the balance sheet, the profit and loss account, the statement of changes in equity, the cash flows statement and the report, have been prepared based on the Company's accounting records, having applied the current legal provisions on accounting in particular,

- The Code of Commerce and remaining trade legislation.

- General Accounting Plan approved by Royal Decree 1514/2007, dated 16 November 2007, and its modifications approved by Royal Decree 1159/2010, dated 17 September and by Royal Decree 602/2016, dated 2 December, and the sectoral adaptation for real estate companies and, by Royal Decree 1/2021, dated 12 January, in order to reflect the true and fair view of the assets, the financial situation, the income, the changes in net assets and of the cash flows corresponding to the financial year.

- Law 11/2009 dated 26 October modified by Law 16/2012, dated 27 December and by Law 11/2021 dated 9 July, which regulates Public Limited Companies. Listed for Investment in the Real Estate Market (Real Estate Investment Trusts or REITs)

- The regulations adopted by the Institute of Accounting and Accounts Auditing in the implementation of the General Accounting Plan and its additional regulations.

Unless otherwise indicated, all figures presented in this report are expressed in euros.

The financial statement prepared on 30 March 2022 by the Board of Directors, will be submitted for approval by the Sole Shareholder, expected to be approved without any modification. The accounts for the year ended 31 December 2020 were approved by the Sole Shareholder on 26 July 2021.

b) Accounting principles

The financial statement has been prepared in accordance with the mandatory accounting principles. There is no accounting principle in place with any significant effect that has not been applied.

c) Critical aspects for the valuation and estimation of uncertainty

Estimates made by the Company Board of Directors were used during the preparation of the attached financial statement in order to evaluate some of the assets, liabilities, income, expenses and commitments contained in the same. These estimations essentially refer to the following:

- The useful life of the tangible and intangible fixed assets and real estate investments (see notes 5, 6 and 7).

- The evaluation of possible losses due to impairment of real estate investments (Note 4 e).

- The evaluation of possible losses due to impairment of equity instruments in group companies and associates (Note 9)

These estimates have been drafted on the basis of the best information available up to the date of preparation of this financial statement, and there is no event that could change said estimates. Any future event not known at the date of preparation of these estimates could lead to a modification (upwards or downwards), which would take place prospectively if applicable.

d) Comparison of information

- No changes have been made to the structure of the balance sheet, the profit and loss account, the cash flow statement and the statement of changes in equity with respect to the previous financial year, except as provided in note 2.k.
- There are no causes that could prevent the comparison of the financial statement for the financial year with those from the previous one, nor that may affect future financial years.

e) Grouping of items

Certain items from the balance sheet and the profit and loss account are presented in grouped form to facilitate their understanding. However, disaggregated information has been included in the corresponding notes of the report, insofar as significant.

f) Classifications of current and non-current liabilities

Assets and liabilities are presented in the classified balance sheet among those of a current and non-current nature. For that purpose, the assets and liabilities are rated as current when they are related to the Company's normal operating cycle and are expected to be sold, used, realised or liquidated within the course of the same, are different to the previous ones and are expected to mature, be sold or be realised within one year, are held to be negotiated or involve cash and cash equivalents whose use is not restricted for a period exceeding one year. Otherwise, these are classified as non-current assets and liabilities.

g) Changes in accounting criteria

No changes have been made in the accounting criteria, other than those indicated in note 2k.

h) Correction of errors

No errors have been detected in the preparation of this financial statement that have led to the restatement of the amounts included in the financial statement for the 2020 financial year.

i) Relative importance.

When determining the information to be itemised in this report on the different sections of the financial statements or other matters, the Company took into account the relative importance in relation to the financial statement for the 2021 financial year in accordance with the Conceptual Framework of the General Accounting Plan.

j) Going concern

As a result of the net equity that exceeds two thirds of the share capital at 31 December 2021, as well as the expected income in the future, the directors have prepared this financial statement under the going concern principle.

k) Changes in accounting policies as a result of Royal Decree 1/2021:

Royal Decree 1/2021, dated 12 January, was published in the Official State Gazette on 30 January 2021, modifying the General Accounting Plan approved by Royal Decree 1514/2007, dated 16 November; the General Accounting Plan for Small- and Medium-Sized Enterprises approved by Royal Decree 1515/2007, dated 16 November; the Rules for the Formulation of Consolidated Financial Statements approved by Royal Decree 1159/2010, dated 17 September; and the Adaptation Rules of the General Accounting Plan for non-profit entities approved by Royal Decree 1491/2011, dated 24 October. Likewise, and as a consequence of RD 1/2021, the resolution of the Official Register of Account Auditors (ROAC in Spanish) was published in the Official State Gazette on 13 February 2021, which dictates the registration, valuation and preparation of financial statements for the recognition of income for the delivery of goods and the provision of services (hereinafter "Income Resolution").

The content of the aforementioned Royal Decree and Resolution has been applied in the financial statement corresponding to the financial year beginning on or after 1 January 2021.

The changes affect the Company in the following item in particular:

a) Financial instruments
b) Income from sales and service provision

The main differences between the accounting and classification criteria used in the 2020 financial year and those applied in 2021 that have affected the Company are as follows:

a) Financial instruments

Financial instruments have been classified based on our management or our business model for managing the financial assets and the contractual terms of their cash flows.

The classification of financial assets falls into the following main categories:

- **Depreciated cost**: The previous "Loans and receivables" and "Held-to-maturity investments" portfolios are expected to have been included in this category, to the extent that they are held with the purpose of receiving the cash flows arising from the execution of the contract, and the contractual terms of the financial assets lead to cash flows on specific dates that are solely repayment of the principal and interest on the outstanding principal amount.

  Trade operations and credits for non-trade operations and trade operations are also included in this category.

- **Cost**: This category is composed of the following financial assets:
  - investments in group, multi-group and associate companies.

The classification of financial liabilities into the following main categories

- **Depreciated cost**: All financial liabilities have been included in this category except those that must be valued at fair value with changes in the profit and loss account. It therefore also includes the previous "Loans and items payable" portfolios that comprises any equity loans characterised as an ordinary or a common loan, including those whose interest rates were set below market rates, and "Debts and items payable" for both trade and non-trade operations.

The Company opted for the application of the 2nd transitory provision at the date of initial application of RD 1/2021, 1 January 2021, and to include comparative information without expressing it again, reclassifying the items of the 2020 financial year to reflect he balances of said financial year. adjusted to the new presentation criteria. Therefore, the Company has applied the new categories of financial instruments in accordance with RD 1/2021 for the financial year ended 31 December 2021 and has applied the new categories for presentation purposes only for the comparative financial year ended on 31 December 2020. Consequently, the main effects of this reclassification as of 1 January 2021 are as follows:

				Amount in euros
Categories of RD 1514/2007		**Loans and receivables**	**Investments in group, multi-group and associate companies**	**Total**
Categories of RD 1/2021		**FA at depreciated cost**	**FA at Cost**	**Total**
Reclassifications Financial assets – 1 January 2021	**Notes**			
Final balance 31 December 2020– RD 1514/2007				
Investments in group and associate companies	9 and 10 a)	-	956,000	**956,000**
Other financial assets	10 a)	27,288,180	-	**27,288,180**
Trade debtors and other accounts receivables	10 a)	1,425,679	-	**1,425,679**
Initial balance 1 January 2021- RD 1/2021		**28,713,859**	**956,000**	**29,669,859**

			Amount in euro
Categories of RD 1514/2007		**Debts for trade operations and payables**	**Total**
Categories of RD 1/2021		**Financial liabilities at depreciated cost**	**Total**
Reclassifications Financial liabilities – 1 January 2021	**Notes**		
Final balance 31 December 2020– RD 1514/2007			
Bank loans	10 b)	45,668,883	**45,668,883**
Debts with group companies and associates	10 b) and 18	31,478,430	**31478430**
Trade creditors and other payables	10 b)	192,416	**192,416**
Other financial liabilities	10 b)	887,849	**887,849**
Initial balance 1 January 2021- RD 1/2021		**78,227,578**	**78,227,578**

There has been no impact on the Company's Net Assets.

a) *Income from sales and service provision*

The application of the ICAC [Institute of Accounting and Accounts Auditing] Resolution at 1 January 2021 that dictates the standards for registration, valuation and preparation of financial statements for the recognition of income for the delivery of goods and the provision of services, and the latest modification of the GAP (General Accounting Plan) and its complementary provisions through RD 1/2021, have brought about changes in NRV 14 "Income from sales and provision of services", as well as in the information to be included in the report on these operations.

The new regulations are based on the principle that ordinary income is recognised when control of a good or service is transferred to the client for the amount that reflects the consideration to which the entity expects to be entitled – thus the concept of control, as a fundamental principle, replaces the current concept of risks and benefits.

The following successive steps must be followed to apply the above fundamental principle:

- identify contracts with clients;
- identify the duties to be met;
- determine the price or consideration of the contract operation;
- allocate the price of the operation between the duties to be met, and
- recognise income when (or as) the entity meets each of the duties committed to.

No significant impact has been detected on the income from sales and provision of services of the Company.

3) Application of the income

Below is the proposed distribution of the income for the 2021 financial year that the Board of Directors is submitting for the approval of the Sole Shareholder:

Distribution basis	**2021**	**2020**
Losses and gains (loss)	(1.381.845)	(1.972.059)
Total	(1.381.845)	(1.972.059)
Application		
To negative income from previous financial years	(1.381.845)	(1.972.059)
Total	(1.381.845)	(1.972.059)

The Company is subject to the REIT regime described in note 1 with respect to the distribution of dividends.

4) Valuation and registration standards:

The main registration and valuation standards used to prepare the financial statement are as follows:

a) Intangible fixed assets

As a general rule, intangible fixed assets are registered as long as they meet the identifiability criteria and are initially valued at their acquisition price or production cost, subsequently deducting the corresponding accumulated depreciation and any losses from impairment experienced if applicable. The following criteria in particular are applied:

a.1) Right of transfers

These are initially registered at the acquisition price and are depreciated on a straight-line basis over 10 years, which is the estimated period during which they will contribute to obtaining income, except when the term of the contract is shorter, in which case they are depreciated over that period.

a.2) Licences and trademarks

Acquired licences and trademarks are taken at cost less accumulated depreciation and recognised value impairment corrections. Depreciation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful life.

b) Property, plant and equipment

Property, plant and equipment is valued at its acquisition price or production cost, deducting the corresponding accumulated depreciation and impairment losses taking place.

The financial expenses accrued during the construction period that are directly attributable to the acquisition or manufacture of the asset are also included, provided that a period of time greater than one year is required until they are in conditions of use.

Indirect taxes on property, plant and equipment are only included in the purchase price or production cost whenever they are not recoverable directly from the Public Treasury.

The initial estimate of the current value of the duties assumed related to the dismantling or removal and other ones associated with the asset, such as restoration costs also form part to the property, plant and equipment value whenever these duties lead to the registration of provisions.

The costs of expansion, upgrading or improvements that represent an increase in productivity, capacity or efficiency, or a lengthening of the useful life of the assets, are registered as a higher cost of the same. The upkeep and maintenance are registered in the profit and loss account in the financial year when they are incurred.

The work performed by the Company for its own fixed assets is reflected based on the cost price of raw materials and other consumable materials, the costs directly attributable to said goods, as well as a reasonable proportion of indirect costs.

The Company depreciates its property, plant and equipment on a straight-line basis. The years of useful life applied are as follows:

Item	Years of useful life
Tools, equipment	4
Other installations	10
Furnishing	10
Information process equipment	4
Other tangible assets	10

c) Impairment of non-financial assets fixed asset value

A loss due to impairment of the value of an item from property, plant and equipment or intangible fixed assets occurs when its book value exceeds its recoverable value, understood as the amount that is higher from between its fair value less costs of sale and its value in use.

The Company performs an evaluation by the end of the financial year for this purpose using the so-called “impairment test” to see if there are indications that any tangible or intangible fixed assets with an indefinite useful life or any cash-generating unit, if applicable, may be impaired, in which case its recoverable amount is estimated, applying the corresponding valuation corrections.

The impairment of the property, plant and equipment are calculated on an individual basis. However, whenever it is not possible to determine the recoverable amount of each individual asset, the recoverable amount of the cash-generating unit to which each item of fixed assets belongs is determined.

d) Real estate investments

This section includes the values of land, buildings and other constructions that are maintained, either to be used on a rental basis, or to obtain a capital gain on their sale as a result of future increases in their respective market prices.

These assets are initially valued at their acquisition price and subsequently reduced by the corresponding accumulated depreciation and impairment losses, if any, in accordance with the criteria mentioned in Note 4 e).

Upkeep and maintenance expenses of the different elements that comprise the real estate investment are charged to the profit and loss account for the financial year in which they are incurred. Any amounts invested in improvements, on the contrary, that contribute to increasing the capacity or efficiency or to lengthening the useful life of said assets are registered as their higher cost.

The Company depreciates real estate investments following the straight-line method, applying annual depreciation percentages calculated based on the years of estimated useful life of the respective assets, according to the following detail (average):

	Depreciation percentage
Constructions	3%

Income and results are recognised upon the sale of the assets and their deed to the buyers, which is the time when the rights and duties inherent to them are transferred. Income from rentals is charged to income with the application of an accrual basis.

The recognition of rental expenses involves the application of an accrual criterion, charging all maintenance, management and depreciation expenses of the rented assets to income.

The Company periodically determines the fair value of the real estate investment elements, taking appraisals performed by independent experts as a reference value.

e) Impairment of real estate investments

The Company evaluates the possible existence of losses in value that require a reduction in the book values of its real estate investments each financial year. Loss of value is considered to exist whenever the recoverable value is less than the book value.

The recoverable values are calculated for each cash-generating unit, determining said recoverable amount as the higher amount between the fair value less sale costs and use value.

The following procedure has been implemented by Company Management for the performance of this test:

The recoverable value of each real estate investment is determined by an independent expert, registering any resulting impairment loss in the profit and loss account under the heading “Impairment and income for disposal of fixed assets”.

At 31 December 2021, the Company commissioned the independent expert Knight Frank España S.A.U., to value its real estate investments to determine the fair values of its real estate investments.

These valuations took place using the comparison and investment methods. Our valuation when performing the valuation of the property was based on the classification and analysis of the most appropriate comparable investments for the valued property, as well as rental operations, together with evidence of demand in the vicinity of the property in question. The data obtained from such operations were applied to the property, taking into account their size, location, the terms of each lessee contract, their strength along with other material factors.

The Cash Flow Discount calculations used, analysing the market value as a result of the contractual rental income and potential income according to use, as well as its consistency with offer prices and closed prices of comparable assets. We have not reflected any capital cost nor have any other differentials been added on top of inflation.

The cash flow discount method is based on five-year projections for net rental income from the asset. A market discount rate is applied to the resulting cash flows and an outflow capitalisation rate is applied to the flow of the last year to obtain the value of the property.

Acceptable discount rates have been used for a potential investor to calculate the fair value, which are negotiated with those applied by the market for properties with similar characteristics and locations. The valuations have been carried out in accordance with the Valuation and Appraisal Standards published by the Royal Institute of Chartered Surveyors (RICS) in Great Britain.

The main assumptions used in calculating the fair value of real estate assets by the appraisal company have been an equivalent capitalization rate (equivalent yield) of between 4.5% and 5.75% for buildings and between 3 % and 3.25% for the premises.

If an impairment loss subsequently reverses, the book value of the asset is increased up to the limit of the original value for which said asset was registered prior to the recognition of said loss of value.

f) Leases and other operations of a similar nature

The Company registers any operations for which the lessor substantially transfers the risks and benefits inherent to the ownership of the asset covered by the contract to the lessee as a financial lease, registering the rest as operating leases. All of the contracts held by the Company are operating leases.

f.1) Operating lease lessor:

Whenever assets are leased under an operating lease, the asset is included in the balance sheet according to its nature. Income from the lease is recognised on a straight-line basis over the term of the lease.

f.2) Operating lease lessee:

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are charged to the profit and loss account for the financial year in which they accrue on a straight-line basis over the lease period.

g) Financial instruments

g.1) Financial assets

Financial assets at cost

The following is included in this valuation category in all cases:

a) Investments in the equity of group, multi-group and associated companies.

b) The remaining investments in equity instruments whose fair value cannot be determined by reference to a quoted price in an active market for an identical instrument, or cannot be estimated reliably and any derivatives underlying these investments.

c) Hybrid financial assets whose fair value cannot be reliably estimated unless the requirements for their accounting at a depreciated cost are met.

d) Contributions made as a result of an equity account contract and similar.

e) Equity loans whose interests are contingent, either because a fixed or variable interest rate is agreed upon, subject to meeting a milestone in the borrowing company (such as obtaining profits), or due to being calculated exclusively by reference to the evolution of the aforementioned company's activity.

f) Any other financial asset that should initially be classified in the fair value portfolio with changes in the profit and loss account when it is not possible to obtain a reliable estimate of its fair value.

Initial valuation

The investments included in this category will initially be valued at cost, which is equal to the fair value of the consideration given plus any operation costs that are directly attributable to the same, the latter of which is not included in the cost of investments in group companies.

However, in cases involving an investment prior to its classification as group companies associates and multi-group companies, the cost of said investment is considered to be the book value that it should have immediately before the company is classified as such.

Part of the initial valuation is the amount of any preemptive subscription right and similar rights that may have been acquired

Subsequent valuation

The equity instruments included in this category are valued at their cost value less any accumulated amount of any valuation adjustments for any impairment that takes place.
Whenever a value must be assigned to these assets due to being removed from the balance sheet or for any another reason, the weighted average cost method for homogeneous groups is applied, understood as securities that have equal rights.

The book value of the respective assets is deducted from the cost amount of any sale of preemptive subscription right and similar or their segregation in order to exercise them that are sold.
Contributions made as a result of an equity account contract and similar will be valued at cost, adding or deducting the profit or loss respectively, corresponding to the company as a passive investor, and deducting any impairment valuation adjustments accumulated amounts that may apply.

This same criterion is applied to equity loans whose interests are contingent, either because a fixed or variable interest rate is agreed upon subject meeting of a milestone in the borrowing company (such as obtaining profits), or due to being calculated exclusively by reference to the evolution of the aforementioned company's activity. If an irrevocable fixed interest is agreed upon in addition to a contingent interest, this is registered as financial income based on its accrual. Operation costs are charged to the profit and loss account on a straight-line basis throughout the life of the equity loan.

Impairment of value

The necessary valuation adjustments are made by the close of the financial year whenever there is objective evidence that an investment book value will not be recoverable. The valuation adjustment amount is the difference between its book value and the recoverable amount, understood as the higher amount between its fair value less sale costs and the present value of the future cash flows arising from the investment, which in the case of equity instruments is calculated either by estimating what is expected to be received as a result of the distribution of dividends made by the investee company and the disposal or derecognition of the investment in the same, or by estimating its equity in the cash flows that are expected to be generated by the investee company, both from its ordinary activities and from its disposal or derecognition.

Unless there is better evidence of the recoverable amount of investments in equity instruments, the estimate of the loss due to impairment of this class of assets is calculated based on the equity of the investee and the tacit capital gains in place at the valuation date, net of the tax effect. The equity included in the consolidated financial statement prepared by applying the Code of Commerce criteria and that of its implementing regulations is taken into account when determining this value, and provided that the investee company has invested in another.

The recognition of value impairment valuation adjustments and reversal of the same if applicable, is registered as an expense or income, respectively, in the profit and loss account. The reversal of impairment is limited to the book value of the investment that would be recognised on the reversal date if the impairment had not been registered.

However, if an investment took place in the company prior to its classification as a group, multi-group or associate company, and prior to that classification, valuation adjustments would have been made directly to the net equity arising from such investment, with these adjustments remaining after classification until the investment is sold or written off, at which time they are registered in the profit and loss account, or until the following circumstances occur:

a) In the case of previous valuation adjustments due to increases in value, the valuation adjustments due to impairment will be registered against the equity item that includes the valuation adjustments previously taking place up to their amount, and any excess will be registered in the profit and loss account. The valuation adjustment for impairment charged directly to equity is not reversed.
b) Whenever the recoverable amount is subsequently higher than the book value of the investments in the case of prior valuation adjustments due to reductions in value, the latter is increased up to the limit of the indicated reduction in value against the item containing the previous valuation adjustments, where the new ensuing amount is considered the cost of the investment from that point on. However, whenever there is objective evidence of impairment in the value of the investment, the losses accumulated directly in equity are recognised in the profit and loss account.

Financial assets at depreciated cost

Included in this category are any financial assets, including those admitted to trading on an organised market, in which the Company holds the investment with the purpose of receiving the cash flows arising from the execution of the contract, and the contractual terms of the financial assets lead to cash flows on specific dates that are solely a payment of the principal and interest on the outstanding principal amount.
The contractual cash flows that are solely payment of the principal and interest on the amount of the outstanding principal are inherent to an agreement that is an ordinary or a common loan, without prejudice to whether the operation is agreed at a zero-interest rate or below the market rate.
Loans for trade operations and for non-trade operations are included in this category:

a) Loans for trade operations: any financial assets that originate in the sale of goods and the provision of services for traffic operations of the company with deferred payment, and

b) Loans for non-trade operations: any financial assets that are not being equity instruments or derivatives and have no commercial origin and the payment of which are of a determined or determinable amount, originating from loan or credit operations granted by the company.

Initial valuation

Financial assets classified in this category will be initially valued at their fair value, which is the operation price unless proven otherwise, which shall be equal to the fair value of the consideration delivered plus any operation costs that are directly attributable to the same.

However, any operation trade loans maturing in less than one year and which do not have any explicit contractual interest rate, as well as loans to staff, dividends receivable and payments due on equity securities, the amount of which is expected to be paid back in the short term, are valued at their face value whenever there is no significant effect from not updating the cash flows.

Subsequent valuation

The financial assets included in this category will be valued at their depreciated cost. Interest accrued will be charged to the profit and loss account, applying the effective interest rate method.
However, loans maturing in no more than one year which are initially valued at their face value in accordance with the provisions of the preceding section, continue to be valued at that amount, unless they have been impaired.
Whenever the contractual cash flows of a financial asset are modified due to the financial difficulties of the issuing agent, the company analyses whether it is appropriate to register an impairment loss or not.

Impairment of value

The necessary valuation adjustments are made by the close of the year and whenever there is objective evidence that the value of a financial asset or of a group of financial assets with similar risk characteristics valued on a joint basis, has been impaired as a result of one or more events that have occurred after its initial recognition and that lead to a reduction or delay in future estimated cash flows, which may be due to the insolvency of the debtor.
The loss due to impairment of the value of these financial assets is generally the difference between their book value and the current value of future cash flows, including any from the execution of real and personal guarantees, if applicable, which is estimated to be generated, making the deduction at the effective interest rate calculated at the time of initial recognition. The effective interest rate corresponding to the closing date of the financial statement in accordance with the contractual conditions is used for financial assets at a variable interest rate.

Value adjustments due to impairment as well as their reversal when the amount of said loss decreases for reasons related to a subsequent event, are recognised as an expense or income, respectively, in the profit and loss account. The reversal of impairment is limited to the book value of the asset that would be recognised on the reversal date if the impairment had not been registered.

g.2) Financial liabilities

For valuation purposes, financial liabilities will be included in the following categories:

a) Financial liabilities at depreciated cost
Debts for trade operations and debts for non-trade operations are also generally included in this category:

a) Debts for trade operations: any financial liabilities that originate in the purchase of goods and services for traffic operations of the company with deferred payment, and
b) Debts for non-trade operations: any financial liabilities that are not derivative instruments, and do not have any commercial origin, but originate from loan or credit operations received by the company.

Equity loans that have the characteristics of an ordinary or common loan are also included in this category without prejudice to the agreed interest rate (zero or below the market rate).

<u>Initial valuation</u>
Financial liabilities included in this category are valued at fair value, which is the price of the operation and is equal to the fair value of the consideration delivered, with an adjustment for any operation costs that are directly attributable to the same.
However, any debts from trade operations maturing within one year and which do not have a contractual interest rate as well as disbursements required by third parties on shareholdings, the amount of which is expected to be paid back in the short term, are valued at their face value whenever there is no significant effect from not updating the cash flows.

<u>Subsequent valuation</u>

The financial liabilities included in this category will be valued at their depreciated cost. Interest accrued is charged to the profit and loss account, applying the effective interest rate method.
However, debts maturing in no more than one year that are initially valued at their face value continue to be valued at that amount.

h) Bonds delivered and received

The difference between the fair value of the bonds delivered and received and the amount disbursed or paid considered as an advance payment or collection for the operating lease or provision of the service, which is charged to the profit and loss account during the lease period or during the period in which the service is provided.

Whenever this involves short-term bonds, there is no cash flow discount due to having no significant effect.

i) Cash and cash equivalents

This heading includes cash on hand, bank current accounts and temporary deposits and acquisitions of assets that meet all of the following requirements:

- They are convertible into cash.
- They mature in less than three months at the time of their acquisition.

- They are not subject to a significant risk of changes in value.
- They form part of the Company's normal treasury management policy.

j) Income tax

<u>General regime:</u>

The income tax expenditure or income is calculated using the sum of the current tax expenditure or income and the relevant portion of the deferred tax expenditure or income.

The current tax is the amount resulting from the application of the taxable income tax rate for the financial year. The deductions and other tax benefits of the tax payable, excluding tax withholding and payments on account, as well as tax losses carried forward from previous financial years and applied effectively in the financial year, lead to a lower tax amount.

The deferred tax expenditure or income corresponds to the recognition and cancellation of deferred tax assets for deductible temporary differences, for the right to offset tax losses in subsequent financial years and for deductions and other pending unused tax benefits to be applied and deferred tax liabilities for taxable temporary differences.

Deferred tax assets and liabilities are valued at the tax rates expected at the time of their reversal.

Deferred tax liabilities are recognised for all taxable temporary differences, except any arising from the initial recognition of goodwill or other assets and liabilities in an operation that does not affect either the tax result nor the accounting result and is not a business combination.

In accordance with the prudent man criteria deferred tax assets are only recognised to the extent that future profits that allow their application are considered likely. Notwithstanding the foregoing, deferred tax assets corresponding to deductible temporary differences arising from the initial recognition of assets and liabilities in an operation that does not affect either the tax result nor the accounting result and is not a business combination are not recognised.

Both current and deferred tax expenditure or income are registered in the profit and loss account. However, current and deferred tax assets and liabilities that relate to a transaction or event recognised directly in an equity item are recognised as a charge or credit to said item.

The registered deferred taxes are reviewed at the close of each accounting period in order to verify that they remain in force, making the appropriate corrections. Deferred tax assets recognised and any previously registered are also evaluated, derecognising any recognised assets if they are no longer likely to be recovered or registering any assets of this nature not previously recognised to the extent that it is likely to be recovered with future tax benefits.

<u>REIT regime</u>

The Company notified the Spanish Tax Authority of its tax domicile on 14 September 2018, the option adopted to take advantage of REIT's special tax regime.

Pursuant to Law 11/2009 dated 26 October, regulating Investment Companies Trading on the Real Estate Market, entities that meet the requirements defined in the regulations and opt for the application of the special tax regime provided in this Law will be taxed at a tax rate of 0% for Corporation Tax.

In the event of negative taxable income, Article 26 of Law 27/2014 dated 27 November on Corporation Tax will not apply.

The deductions and bonuses regime established in Chapters II, III and IV of this standard will also not be applicable. The provisions of Law 27/2014 on Corporation Tax shall also apply for all other matters not provided for in REIT Legislation Law.

The entity will be subject to a special tax rate of 19% on the full amount of the dividends or equity in profits distributed to shareholders whose equity held in the share capital of the entity is equal to or greater than 5%, whenever said dividends are exempt or taxed at a tax rate of less than 10% at their shareholders' headquarters. This tax will be considered a Corporation Tax payment.

The Company will be subject to a special tax of 15% on the amount of profits obtained during the year that are not distributed for anything originating from the income that has not been taxed at the general corporation tax rate or does not involve income received for the reinvestment period (Law 11/2021, dated 9 July).

Failure to comply with the requirement for the real estate referred to in Article 3, section 3 of the legislation to remain shall entail the taxation of all income generated by such immovable property in all tax periods when this special tax regime has been applied in the case of real estate, in accordance with the general and the general corporation tax rate.

k) Related party transactions

Transactions between related parties, regardless of the degree of involvement, are accounted for in accordance with the general standards. Therefore, the items subject to transaction are initially recognised at their fair value as a general rule. If the price agreed in a transaction differs from its fair value, the difference is registered according to the economic reality of the transaction. The subsequent valuation is performed in accordance with the provisions of the corresponding standards.

l) Income recognition

Income is recognised whenever control of goods or services is transferred to clients. At that time, the income is registered for the amount of consideration that is expected to be entitled in exchange for the transfer of the goods and services committed arising from contracts with clients, as well as other income not arising from contracts with clients that constitute the Company's ordinary activity. The registered amount is determined by deducting the amount of discounts, refunds, price reductions, incentives or rights delivered to clients as well as value added tax and other taxes directly related to them that must be passed on from the amount of consideration for the transfer of goods or services committed to clients or other income corresponding to the Company's ordinary activities.

In cases where a variable consideration amount exists in the price set in the contracts with clients, the best estimate of the variable consideration is included in the price to be recognised to the extent that no significant reversal is likely to take place of the income amount recognised when the uncertainty associated with the variable consideration is subsequently resolved. The Company bases its estimates taking into account historical information, client type, transaction type and the specific terms of each agreement.

Provision of services

The Company provides leasing services. Income from rental property is recognised on a straight-line basis over the term of the lease. Whenever the Company offers incentives to its lessees, the cost of the incentives is recognised during the lease term on a straight-line basis, as a reduction in rental income. Costs related to each of the lease payments are recognised as an expense.

Interest income

Interest income on financial assets valued at a depreciated cost is recognised using the effective interest rate method. Whenever an account receivable suffers a value impairment loss, the Company reduces the book value to its recoverable amount, deducting the estimated future cash flows at the instrument's original effective interest rate, and continues applying the deduction as less interest income. Income from interest on loans that have suffered impairment losses is recognised using the effective interest rate method.

Dividend income

Dividend income is recognised as income in the profit and loss account whenever the right to receive payment is established, provided that the investee or any group company in which the latter has an interest has generated profits for an amount greater than the own funds that are distributed from the date of acquisition. Notwithstanding the foregoing, if the distributed dividends unequivocally originate from income generated prior to the acquisition date, due to the fact that amounts greater than the profits generated by the investee since the acquisition have been distributed, they are not recognised as income, and the investment book value is reduced.

Provision of services

The Company provides rental services under fixed price contracts and variable price contracts. Income from the provision of services is recognised in the financial year in which they are rendered.
In the case of fixed-price contracts corresponding to the provision of rental services, revenue is recognised on the basis of the actual service provided until the end of the financial year as a proportion of the total services to be provided given that the client receives and consumes the profit simultaneously. This is determined based on the actual work hours incurred in relation to the total expected work hours.

Estimates of income, costs or the degree of progress towards completion are revised if circumstances change. Any resulting increase or decrease in estimated income or costs is reflected in profit or loss for the financial year in which the circumstances leading to the revision become known to management.
In the case of fixed price contracts, the client pays the fixed amount based on a payment schedule. A contract asset is recognised if the services provided by the Company exceed the payment. A contract liability is recognised if payments exceed services provided.

If circumstances arise that modify the initial ordinary income estimates, costs or degree of completion, these estimates are revised. The revisions could lead to increases or decreases in estimated income and costs and are reflected in the income statement in the period during which the circumstances that led to said revisions become known by management.

Income and expenses are allocated based on the accrual criterion, namely, whenever the real flow of goods and services that they represent occurs, regardless of when the monetary or financial flow arising from them takes place.

Income is valued at the fair value of the consideration received, deducting any discounts and taxes.

5) Intangible fixed assets

Below are the balances and variations during the financial years of the gross values, of the accumulated depreciation and of the valuation adjustments:

	Other tangible assets	Total
Gross values		
Balance at 01.01.2020	695.000	695.000
Entries	-	-
Write-offs, deregistrations or reductions	-	-
Balance at 31.12.2020	695.000	695.000
Entries		
Write-offs, deregistrations or reductions		
Balance at 31.12.2021	695.000	695.000
Accumulated depreciation		
Balance at 01.01.2020	(217.450)	(217.450)
Depreciation provision	(69.500)	(69.501)
Write-offs, deregistrations or reductions	-	-
Balance at 31.12.2021	(286.950)	(286.951)
Depreciation provision	(69.500)	(69.500)
Write-offs, deregistrations or reductions	-	-
Balance at 31.12.2020	(356.450)	(356.451)
Valuation correction		
Balance at 01.01.2020	-	-
Entries	-	-
Write-offs, deregistrations or reductions	-	-
Balance at 31.12.2021	-	-
Entries	-	-
Write-offs, deregistrations or reductions	-	-
Balance at 31.12.2020	-	-
Net book value at 31.12.2020	408.050	408.049
Net book value at 31.12.2021	338.550	338.549

Intangible fixed assets correspond to the license for the inn located in the building located at Paseo de Gracia in Barcelona (note 7).

6) Property, plant and equipment

Below are the balances and variations during the 2021 and 2020 financial years, of the gross values, of the accumulated depreciation and of the valuation adjustments:

Gross values		
Balance at 01.01.2020	3.065.019	3.065.019
Entries	14.792	14.792
Write-offs, deregistrations or reductions	-	-
Balance at 31.12.2020	3.079.811	3.079.811
Entries	82.715	82.715
Write-offs, deregistrations or reductions	-	-
Balance at 31.12.2021	3.162.526	3.162.526
Accumulated depreciation		
Balance at 01.01.2020	(953.419)	(953.419)
Depreciation provision	(315.671)	(315.671)
Write-offs, deregistrations or reductions	-	-
Balance at 31.12.2020	(1.269.090)	(1.269.090)
Depreciation provision	(309.546)	(309.546)
Write-offs, deregistrations or reductions	-	-
Balance at 31.12.2021	(1.578.636)	(1.578.636)
Valuation correction		
Balance at 01.01.2020	-	-
Entries	-	-
Write-offs, deregistrations or reductions		
Balance at 31.12.2020	-	-
Entries	-	-
Write-offs, deregistrations or reductions	-	-
Balance at31.12.2021	-	-
Net Book Value at 31.12.2020	1.810.720	1.810.720
Net Book Value at 31.12.2021	1.583.889	1.583.889

The additions in the 2021 financial year are mainly due to incorporation works for the swimming pool at the Hotel Vincci Gala, in Barcelona.

The registrations for the 2020 financial year corresponded to works to replace the exterior joinery of the building located at Diagonal 596, in Barcelona.

There are no fully depreciated assets.

The Company has taken out insurance policies to cover the possible risks that the miscellaneous fixed assets items are subject, as well as any possible claims that may arise from the exercise of its activity, where said policies is understood to sufficiently cover the risks they are subjected to.

7) Real estate investments
8) values, of the accumulated depreciation and of the valuation adjustments:
9)

Below are the balances and variations during the 2021 and 2020 financial years, of the gross

	Land	Constructions	Total
Gross values			
Balance at 31.12.2019	34.950.290	43.585.553	78.535.843
Entries	-	305.681	305.681
Write-offs, deregistrations or reductions	-	-	-
Balance at 31.12.2020	34.950.290	43.891.234	78.841.524
Entries	-	116.729	116.729
Write-offs, deregistrations or reductions	-	-	-
Balance at 31.12.2021	34.950.290	44.007.963	78.958.253
Accumulated depreciation			-
Balance at 31.12.2019	-	(5.941.698)	(5.941.698)
Depreciation provision	-	(1.765.991)	(1.765.991)
Write-offs, deregistrations or reductions	-	-	-
Balance at 31.12.2020	-	(7.707.689)	(7.707.689)
Depreciation provision	-	(1.775.880)	(1.775.880)
Salidas, bajas o reducciones	-	-	-
Balance at 31.12.2021	-	(9.483.569)	(9.483.569)
Valuation corrections			
Balance at 31.12.2019	-	-	-
Entries	-	-	-
Write-offs, deregistrations or reductions	-	-	-
Balance at 31.12.2020	-	-	-
Entries	-	-	-
Write-offs, deregistrations or reductions	-	-	-
Balance at 31.12.2021	-	-	-
Net Book Value at 31.12.2020	34.950.290	36.183.545	71.133.835
Net Book Value at 31.12.2021	34.950.290	34.524.394	69.474.684

The real estate investments included in this heading are intended to be used on a rental basis and are the following:

a) Ronda Sant Pere 32 in Barcelona

The property includes a building leased to a hotel operator and two commercial premises. One of them is not rented out at 31 December 2021 but will be rented to the operator at the end of 2022 with an increase in the rental fee.

b) Avenida Diagonal 596 in Barcelona
The property is composed of a building rented from a hotel operator and one premises that is also rented.

c) Paseo de Gracia 115 in Barcelona
The property is composed of sixteen housing units for tourist use, an apartment, a hostel and two premises. The housing units for tourist use and the hostel are leased to a company and the apartment to an individual. The premises are also rented at 31 December 2021.
There is no activity license for the 4º3ª property at 31 December 2021.

d) Carrer de Martínez Cubells 5 in Valencia
Property acquired on 25 March 2019. Its purchase value was 23,000,000 euros.

The building is leased to a hotel operator, and the Company has a rental agreement for the car park and sub-leases it to the hotel operator.

The additions taking place during the financial year ended 31 December 2021 correspond to improvements and refurbishments carried out for 116,729 euros (2020: 305,681 euros).

At 31 December 2021 and 31 December 2020, all real estate investments are pledged as collateral for mortgage debt. The outstanding nominal amount at 31 December 2021 is 43,490,000 euros (2020 44,000,000 euros) (note 10 b).

The fair value of real estate investments at 31 December 2021, calculated based on the RICS valuations carried out by Knight Frank España S.A.U., amounts to 118,940 thousand euros (2020: 114,050 thousand euros).

The income arising from real estate investments rents in 2021 and 2020 amounted to 4,208,165 euros and 3,621,633 euros, respectively.

The operating expenses for all items related to the above also amounted to 1,656,364 euros and 1,483,522 euros, respectively.

The Company did not have any contractual obligation for the acquisition, construction or upgrading of its real estate investments, nor did it maintain real estate investments outside of Spain at the close of the financial year ended 31 December 2021 and 2020.

The Company had no real estate investments that were fully depreciated at the close of the financial year ended 31 December 2021 and 2020.

The Company has taken out insurance policies to cover the possible risks that the miscellaneous real estate items are subject, as well as any possible claims that may arise from the exercise of its activity, where said policies is understood to sufficiently cover the risks they are subjected to.

10) Leases and other operations of a similar nature

a.1. Operational lease

The Company has leased the real estate investments described in note 7 through operating lease contracts that are due to mature between 2024 and 2036.

Below are the minimum future instalments for operating leases contracted with the lessees in accordance with the current contracts in force:

	Outstanding instalments	
	Balance at 31.12.2021	Balance at 31.12.2020
Less than one year	4.815.134	4.749.134
Between one and five years	21.527.147	22.645.672
More than five years	23.014.502	27.756.863
	49.356.783	55.151.669

The Company, in its position as lessee, has contracted the following minimum lease payments with the lessors in accordance with the current contracts in force, without taking into account the impact of common expenses, future CPI increases, nor future updates of contractually agreed rents (in euros) at the close of the 2021 and 2020 financial year.

	Outstanding instalments	
	2021	2020
Less than one year	67.309	67.200
Between one and five years	316.145	336.000
More than five years	375.273	421.200
	758.727	824.400

The expenses arising from the lease contracts signed by the Company in its position as lessee amounted to 67,309 euros (67,282 euros in the financial year ended 31 December 2020) during the financial year ended 31 December 2021.

Below are the operating lease and sublease instalments amount recognised as expense and income, respectively:

	2021	2020
Sub-lease instalments	46.909	46.882
	46.909	46.882

11) Equity instruments in group, multi-group and associate companies

The most significant information related to the companies from the group, multi-group and associate companies is as follows:

A 31.12.2021

Name/Address/Activity	Equity book value	% share Direct	% share Indirect	% voting right Direct	% voting right Indirect	Corporate equity	Reserves	Other equity items	Income: Net return	Income: Return prev. fin. years	Dividends received
RSRP Singular Assets Portugal Unipessoal	8.006.000	100	-	100	-	6.000	-	8.000.000	(745.327)	(324.694)	-
RSRP CEDOFEITA SA	2.000.000	100		100		50.000	-	2.030.000	(243.445)	(67.592)	
RSR CEDOFEITA PALACE SA	4.032.481	70	30	70	30	3.668.675	20.441		(163.628)	(207.823)	
	14.038.481					3.724.675	20.441	10.030.000	(1.152.400)	(600.109)	

At 31.12.2020

Name/Address/Activity	Equity book value	% share Direct	% share Indirect	% voting right Direct	% voting right Indirect	Corporate equity	Reserves	Other equity items	Income: Operation	Income: Net
RSRP Singular Assets Portugal Unipessoal	6.000	100	-	100	-	6.000	-	-	(137.224)	(310.636)
RSRP CEDOFEITA SA	950.000	100		100		50.000	-	900.000	(67.592)	(67.592)
	956.000					56.000				

The Company has shares in the following companies at 31 December 2021:

- RSRP Singular Assets Portugal Unipessoal Lda:a 100% share of the capital of the company that was established in 2019, with its share capital of 6,000 euros.

  The Portuguese company specialises in the acquisition and development of urban real estate for lease and does not trade on the stock market. Its corporate address is at Rua da Alegria, 783 R/C Concelho Porto Freguesia Bonfim 4000 047 Porto.
  In 2021, the Company capitalised the loan pending payment for a sum of 8,000,000 euros with the investee, converting it into a higher value of the Company's equity.

- RSRP CEDOFEITA, S.A., a 100% share of the capital of the company that was established in 2020, with its share capital of 50,000 euros.

  The Company made a payment on account on behalf of RSRP CEDOFEITA, S.A. in 2020 as an advance payment required under the terms of the contract for the sale of shares of the company Great Naboo, S.A. for a value of 900,000 euros.
  The Company classified said payment on account for all legal and accounting purposes as complementary capital contributions made in favour of the Portuguese company.

  The Company made equity contributions amounting to 1,050,000 euros in 2021.

  The Portuguese company specialises in the operation and management of hotel, tourist, real estate and similar establishments, as well as the development, organisation of events and consultancy in the hotel, tourist, real estate sector and similar operations. Its corporate address is at Rua da Alegria, 783 R/C Concelho Porto Freguesia Bonfim 4000 047 Porto.

- RSR CEDOFEITA PALACE SA: The Portuguese company specialises in the acquisition and development of urban real estate for lease and does not trade on the stock market. Its corporate address is at Rua Augusto Rosa 79, Porto, Concelho Porto Freguesia Cedofeita, 4000 098 Porto.
  At 31 December 2021, the company has shares worth 4,032,481 euros.

  The indication of impairment of the shares in the Portuguese companies is covered by the tacit capital gains not registered in their balance sheet generated by the assets owned by said companies.

12) Financial instruments

a.1 Financial assets

Below is the book value of each of the categories of financial instruments established in the "Financial Instruments" registration and valuation standard, except for Investments in the equity of group, multi-group and associate companies, is as follows:

Long-term financial investments

	Long-term financial investments			
	Loans, derivatives and others		Total	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Categories/Financial assets at depreciated cost				
Group company loans (note 17)	19.735.000	27.000.000	19.735.000	27.000.000
Other long-term financial assets	115.216	115.216	115.216	115.216
	19.850.216	27.115.216	19.850.216	27.115.216

Short-term financial investments

	Loans, derivatives and others		Total	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Categories/Financial assets at depreciated cost				
Trade debtors and other accounts receivables	1.949.838	1.425.679	1.949.838	1.425.679
Short-term group company loans (note 17)	359.300	172.664	359.300	172.664
Short-term financial investments (note 17)	56.856	300	56.856	300
	2.365.994	1.598.643	2.365.994	1.598.643

This section does not include debts with public administrations, the breakdown of which is included in note 14.

a.1.1. Trade debtors and other accounts receivables

The details of financial assets classified in this category at 31 December 2021 and 2020 are as follows:

Item	31/12/2021	31/12/2020
Sales and service provision clients	1.312.788	783.187
Misc. debtors	637.050	642.492
Total	1.949.838	1.425.679

In the Clients for sale and provision of services section, 443,217 euros are included with group companies (note 17).

a.1.2. Classification by maturity

The detail by maturity of the different long-term financial assets with a determined or determinable maturity at the end of the 2021 financial year is as follows:

	2023	2024	2025	2026	Resto	Total
Loans to group companies	920.000	990.000	990.000	1.060.000	15.775.000	19.735.000
Other long-term financial assets	26.796	-	-	-	88.420	115.216
	946.796	990.000	990.000	1.060.000	15.863.420	19.850.216

Loans to group companies correspond to two loans granted to the investee Portuguese entity, RSRP Singular Assets Portugal Unipessoal Lda. for a value of 13,790,000 and 5,000,000 euros and a loan granted to RSR Cedofeita Palace for 945,000 euros, respectively (note 17).

b.2. Financial liabilities

Below is the book value of each of the categories of financial instruments established in the “Financial Instruments” registration and valuation standard:

	Short-term and long-term financial liabilities					
	Bank loans		Derivatives and other		Total	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Categories/ financial liabilities at depreciated cost						
Long-term financial liabilities						
Long-term debts	44,559,794	45,668,883	114,420	114,420	44,674,214	45,783,303
Long-term debts with group companies and associates (note 17)	-	-	31,192,646	31,192,646	31,192,646	31,192,646
	44,559,794	**45,668,883**	**31,307,066**	**31,307,066**	**75,866,860**	**76,975,949**
Short-term financial liabilities						
Short-term debts	1,564,272	773,429	591,885	-	2,156,157	773,429
Short-term debts with group companies and associates (Note 17)	-	-	1,067,137	285,784	1,067,137	285784
Trade creditors and other payables	-	-	13,164	192,415	13,164	192,415
	1,564,272	**773,429**	**1,672,186**	**478,199**	**3,236,458**	**1,251,628**

b.2.1. <u>Bank loans</u>

The Company has granted six loans with a total balance of 45,905,358 euros pending repayment at the end of 2021.

Below are the details of bank loans:

- The Company signed a financing contract with Banco Santander for 30,000,000 euros on 23 October 2018, the purpose of which was to settle the debt held by the Company at the date of signing to finance the acquisition of new real estate assets earmarked for hotels, resorts, tourist apartments, residential apartments or for any use, likely to be used for rent in Spain or Portugal, with a mortgage guaranteed for the properties.

  This loan is guaranteed with a mortgage on the following real estate investments: (note 7):
  - Ronda Sant Pere 32 in Barcelona
  - Avenida Diagonal 596 in Barcelona
  - Paseo de Gracia 115 in Barcelona

  The loan is granted in two tiers:
  <u>Tier A:</u>
  5,400,000 euros delivered on the date of signature.
  <u>Tier B:</u>
  24,600,000 euros received on the following dates: 2,900,000 euros on 23 March 2019, 12,000,000 euros on 23 April 2019 and 9,700,000 euros on 23 October 2019.

  The annual nominal interest rate is fixed at 2.70% and has a grace period of 30 months (23 October 2021) with repayments to be made over 11 semi-annual instalments.

  The loan matures on 23 October 2026.

  The outstanding amount to be repaid at 31 December 2021 is 29,700,000 euros (2020 30,000,000 euros).

  Financial expenses for interest on the loan accrued during the financial year amounted to 607,500 euros (2020: 810,000 euros).

  The amount of accrued and unpaid financial expenses amounted to 218,708 at 31 December 2021 (2020: 0 euros)

- The Company signed a financing contract with Banco Santander for 14,000,000 euros on 22 July 2019, the purpose of which was the acquisition, by the Company or its Portuguese subsidiary, of hotel resorts, tourist apartments, residential apartments or for any use, likely to be used for rent in Spain or Portugal, with a mortgage guaranteed for the properties.

  This loan is guaranteed with a mortgage on the following real estate investments:

  - Carrer de Martínez Cubells 5 in Valencia.

  The annual nominal interest rate is fixed at 2.6% and has a grace period until 22 April 2021 with repayments to be made over 11 semi-annual instalments.

The loan matures on 22 October 2029.

The outstanding amount to be repaid as of 21 December 2021 is 13,790,000 euros (2020 14,000,000 euros).

Financial expenses for interest on the loan accrued during the financial year amounted to 363,090 euros (2020: 364,000 euros).

The term of the loans described above is subject to compliance with certain financial ratios (loan to value ratio, annual debt service coverage ratio and corporate loan to value) which, according to the criteria of the Company's Board of Directors, have been completed on 31 December 2021 and will be completed in the next twelve months.

- The Company signed an ICO financing contract with Banco Santander for 1,500,000 euros on 23 June 2020, the purpose of which was to secure liquidity to mitigate the economic effects of Covid generated by the agreed rent discounts, maintaining an adequate account balance enabling previously acquired obligations to be met.

  This loan has no mortgage guarantee.

  The annual nominal interest rate is fixed at 2.75% and has a grace period until 23 June 2022 with repayment to be made in monthly instalments.

  The loan matures on 23 June 2025.

  The outstanding amount to be repaid at 31 December 2021 is 1,500,000 euros (2020 1,500,000 euros).

  Financial expenses for interest on the loan accrued during the financial year amounted to 47,250 euros (2020: 17,188 euros).

- The Company signed an ICO financing agreement with Banco Santander for 500,000 euros on 29 October 2020, the purpose of which was the construction of a swimming pool at the Hotel Gala (Barcelona).

  This loan has no mortgage guarantee.

  The annual nominal interest rate is fixed at 3% and has a grace period until 30 October 2021 with repayment to be made in monthly instalments.

  The loan matures on 30 October 2025.

  The outstanding amount to be repaid at 31 December 2021 is 480,341 euros (2020 500,000 euros).

  Financial expenses for interest on the loan accrued during the financial year amounted to 15,059 euros (2020: 2,083 euros).

- The Company signed an ICO financing agreement for 200,000 euros on 12 November 2021.

  This loan has no mortgage guarantee.

The annual nominal interest rate is fixed at 1.75% and has a grace period until 15 November 2022 with repayment to be made in monthly instalments.

The loan matures on 15 October 2026.

The outstanding amount to be repaid at 31 December 2021 is 200,000 euros.

Financial expenses for interest on the loan accrued during the financial year amounted to 253 euros.

- The Company signed an ICO financing agreement for 500,000 euros on 12 November 2021.

  This loan has no mortgage guarantee.

  The annual nominal interest rate is fixed at 1.75% and has a grace period until 15 November 2022 with repayment to be made in monthly instalments.

  The loan matures on 15 October 2026.

  The outstanding amount to be repaid at 31 December 2021 is 500,000 euros.

  Financial expenses for interest on the loan accrued during the financial year amounted to 632 euros.

b.2.2. Other long-term financial liabilities

This heading includes the guarantees and deposits received.

b.2.3. Short-term debts

At 31 December 2021 and 2020, this heading mainly includes 406,250 euros as a guarantee withheld from the fulfilment of certain milestones by the seller related to the purchase of the property located at Ronda Sant Pere 32 in Barcelona.

A balance of 152,608 euros is also included at 31 December 2021 (2020: 152,608 euros) with related group companies and 133,176 euros with group companies (2020: 133,176 euros) (note 17).

b.2.4. Trade creditors and other payables

The detail of the balance sheet heading “Trade creditors and other accounts payable” is:

Item	31.12.2021	31.12.2020
Suppliers	8.109	8.109
Misc. Creditors	2.741	181.993
Personnel (compensation pending payment)	2.314	2.314
Total	13.164	192.416

These breakdowns do not include balances with public administrations, the detail of which is broken down in note 14.

For the purposes of the provisions of the second additional provision of Law 31/2014 dated 3 December modifying the Capital Companies Act and in accordance with the Resolution dated 29 February 2016 of the Official Register of Account Auditors, a detail is included below with the average period of payment to suppliers, ratio of operations paid, ratio of operations pending payment, total payments made and total pending payments:

	2021	2020
	Days	Days
Average period of payment to suppliers	14	21
Ratio of operations paid	13	13
Ratio of operations pending payment	131	158

	2021	2020
	Amount	Amount
Total payments made	1,978,947	1,845,450
Total payments outstanding	17,223	111,074
Total	**1,996,170**	**1,956,524**

b.2.4. <u>Classification by maturity</u>

The detail by maturity of the different long-term financial liabilities with a determined or determinable maturity at the end of the 2021 financial year is as follows:

	2023	2024	2025	2026	Resto	Total
Long-term debts						
Bank loans	1.897.483	1.916.156	2.132.987	38.613.168	-	44.559.794
Other financial liabilities	-	-	-	-	114.420	114.420
Long-term group company debts (note 17)	45.293	12.099.042	19.048.312	-	-	31.192.647
	1.942.776	14.015.198	21.181.299	38.613.168	114.420	75.866.861

The detail by maturity of the different long-term financial liabilities with a determined or determinable maturity at the end of the 2020 financial year is as follows:

	2022	2023	2024	2025	Resto	Total
Long-term debts						
Bank loans	1.504.705	1.738.512	1.752.712	1.765.801	38.907.153	45.668.883
Other financial liabilities	-	-	-	-	114.420	114.420
Long-term group company debts (note 17)	27.176	27.176	12.080.924	19.030.194	27.176	31.192.646
	1.531.881	1.765.688	13.833.636	20.795.995	39.048.749	76.975.949

13) Cash and cash equivalents

	31/12/2021	31/12/2020
Cash	2.552.095	2.069.546
Other cash equivalents	-	-
	2.552.095	2.069.546

There is restricted availability of part of the cash derived from financing contracts (note 10 b). The Company must deposit an amount equivalent to six months of debt service during the interest period prior to each repayment instalment. The cash with restricted availability at 31 December 2021 amounts to 1,089,984.98 euros (587,000 euros at 31 December 2020). The sum of 1,089,984.98 euros corresponds to the sum of the capital of 300,000 euros and the interest of 401,625 euros corresponding to the 30 million loan, plus the interest amounting to 178,359.98 and the principal of 210,000 euros corresponding to the 14 million loan.

14) Information on the nature and level of risk from financial instruments

a) Qualitative information

The management of the Company’s financial risks is concentrated on Management from the same, which has established the necessary mechanisms to control the exposure to changes in interest rates, exchange rates, as well as in the credit and liquidity risks.

Activity with financial instruments exposes the Company to credit, market and liquidity risk.

b. Quantitative information

B.1. Credit risk

Credit risk is the risk that the counterparty to the financial instrument may cause a financial loss to the Company if it defaults on any obligation. The book value of financial assets represents the maximum level of exposure to credit risk.

The maximum exposure to credit risk at 31 December was as follows:

	31.12.2021	31.12.2020
Long-term investments in group companies and associates	19,735,000	27,000,000
Long-term financial investments	115,216	115,216
Trade debtors and other accounts receivables	1,949,838	1,425,679
Short-term investments in group companies and associates	330	330
Short-term financial investments	359,299	172,634
Cash and cash equivalents	2,552,095	2,069,546
	24,711,778	30,783,105

The detail by the issue date of "Trade debtors and other accounts receivable" at 31 December is as follows:

	31.12.2021	31.12.2020
Not due	99,204	189,498
Due but not doubtful		
Fewer than 30 days	41,594	50,264
Between 30 and 60 days	114,086	45,829
Between 60 and 90 days	71,902	4,235
Between 90 and 120 days	54,392	
More than 120 days	1,568,660	1,135,853
	1,949,838	1,425,679
Doubtful	-	-
Impairment adjustments	-	-
Total	1,949,838	1,425,679

b.2 Market risk

Market risk is the risk that changes in market prices, such as in exchange rates, interest rates or prices of equity instruments, will affect the income or the value of the financial instruments held. The purpose of market risk management is to manage and control the Company's exposures to this risk within reasonable parameters while also optimising profitability.

<u>Exchange rate risk</u>

The Company operates internationally in Portugal and is therefore not exposed to exchange rate risks for foreign currency transactions.

<u>Interest rate risk</u>

The Company's policy is to minimise exposure to interest rate risk in long-term financing. As indicated in note 10 b), the bank loans obtained are at a fixed rate and the loans with group companies are at a variable interest rate (note 17), therefore exposing the Company to interest rate risk in the cash flows. The directors consider the risk to which the Company is exposed in this regard to be minimal.

b.3 Liquidity risk

Liquidity risk is the risk of the Company being unable to meet its financial obligations as they come due. The company's policy is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its obligations when due, both under normal conditions and in stressful situations, without incurring unmanageable losses or risk the reputation of the Company.

The Company manages the liquidity risk prudently, based on ensuring the availability of cash through financing contracts with credit institutions and with group companies, which allow the company to execute its business plans and operations with sources of stable and secured financing.

The detail of the contractual maturities of the financial liabilities is explained in note 10 b).

b.4 Other risks

The emergence of COVID-19 in China in January 2020 and its global expansion, including Spain, led to the viral outbreak being classified as a pandemic by the World Health Organization from 11 March 2020. Financial markets and different sectors of the economy are experiencing a slowdown due to this pandemic. The Company's Directors have evaluated this situation and the consequences it could have on the Company's business and liquidity. The main risks are detailed below:

(i) Operations risk

The Directors do not foresee any significant drop in the valuation of their assets at the date of preparation of this financial statement. In terms of income from the lease contract with the lessees the Company has managed to close negotiations and thus guarantee income for this and following financial years with the lessees.

(ii) Liquidity risk

The directors are performing an analysis of the current and future situation to guarantee the Company's liquidity. The different negotiations performed by the Company with the lessees allow it to have a stable income flow that is sufficient to cover short-term obligations.

The directors are making significant efforts to control expenses, managing to guarantee liquidity in future years.

(iii) Valuation risk

The Company's management has individually monitored the credit quality of each lessee and their payment compliance during the year.

The Company evaluates the possible impairment of real estate investments, comparing the net book value with the fair value obtained from the valuations conducted by the independent expert, which no longer reflect future impacts arising from the pandemic.

Finally, it should be noted that the management is constantly monitoring how the situation is evolving in order to deal with any possible financial and non-financial impact that may occur.

15) <u>Own funds</u>

a) Share capital and issue premium.

The share capital amounts to 7,500,000 euros, represented by 7,500,000 shares, each with a par value of 1 euro, all of which are from the same class, fully subscribed and paid up, granting the same rights to their holders.

The sole shareholder at 31 December 2021 and 2020 is RSR ESTATE HOTEL COVADONGA SARL. (Luxembourg)

The issue premium amounts to 3,500,000 euros as of 31 December 2021 and 2020.

b) Reserves

Legal reserve:

In accordance with the Capital Companies Act, the Company must allocate an amount equal to 10% of the profit for the financial year to the legal reserve until it reaches 20% of the equity.

The legal reserve can be used to increase the equity in the part of its balance that exceeds 10% of the already increased capital. Except as mentioned above, this reserve can only be used to offset losses and provided that there are no other significant reserves available for this purpose.

In accordance with Law 11/2009 regulating publicly traded investment companies in the real estate market (Real Estate Investment Trusts or REITs), the legal reserve of companies that have opted for the application of the special tax regime established in this law may not exceed 20% of the share capital. The bylaws of these companies may not establish any other reserve of an unavailable nature other than the previous one.

At 31 December 2021 and at 31 December 2021, the Company's legal reserve was not fully established. The legal reserve amount at 31 December 2021 amounts to 251,741 euros (251,741 euros at the end of 2020).

Voluntary reserves:

The voluntary reserve amount at 31 December 2021 is 9,199,194 euros.

Merger reserves:

Derived from the take-over merger described in note 1. Merger reserves were registered for an amount of 8,357,521 euros.

c) Shareholder contributions

The minutes dated 1 April 2021 stated that the Sole Shareholder approved making a monetary contribution of 5,500,000 euros by transfer dated 6 April 2021.

The minutes dated 13 October 2020 stated that the Sole Shareholder approved making a monetary contribution of 1,000,000 euros by transfer dated 14 October 2020.

The minutes dated 24 January 2020 stated that the Sole Shareholder approved making a monetary contribution of 2,000,000 euros by transfer dated 14 October 2020.

16) Fiscal situation

The balances with public administrations at 31 December 2021 and 31 December 2020 are as follows:

	Balance debtors		Balance creditors	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
VAT	107	5.507	200.205	86.706
Income tax withholding	-	-	4.124	5.129
Social security	-	-	948	841
	107	5.507	205.277	92.676

The corporation tax breakdown of the expenditure/(income) for the 2021 and 2020 financial years is as follows:

	2021		
	Profit and loss account		
	Increases	Decreases	Total
Balance of income and expenses from the financial year	-	-	(1.381.845)
Corporate tax	-	-	-
Pre-tax income and expenses balance from the financial year			**(1.381.845)**
Diferencias permanentes	-	-	-
Temporary differences	741.009	2.266	738.743
Prior taxable income			**(643.102)**

	2020		
	Profit and loss account		
	Increases	Decreases	Total
Balance of income and expenses from the financial year	-	-	(1.972.059)
Corporate tax	-	-	-
Pre-tax income and expenses balance from the financial year			**(1.972.059)**
Diferencias permanentes	8.650	-	8.650
Temporary differences	914.024	2.266	911.758
Prior taxable income			**(1.051.651)**

At 31 December 2021, the temporary differences amount to 741,009 euros (2020: 914,024 euros) from non-deductible financial expenses as shown below:

	31.12.2021	31.12.2020
2019	802,724	802,724
2020	914,024	914,024
2021	741,009	-
Total	**2,457,757**	**1,716,748**

According to current legal provisions, tax settlements cannot be considered final until they have been inspected by the tax authorities or the statute of limitations period, currently set at four years, has elapsed. The Company's Board of Directors as well as its tax advisors do not believe that there are any tax contingencies of a significant amount that could arise, in the event of an inspection, from possible different interpretations of the tax regulations applicable to the operations performed by the Company.

The Company is subject to the application of the special regime provided for in Law 11/2009 dated 26 October for REITs. The Company's Board of Directors as well as its tax advisors believe that the Company meets all the minimum requirements for the application of this special tax regime in the current financial year. In accordance with the special tax regime for REITs, the returns derived from their activity that meet the required requirements are exempt.

Below is the negative taxable income pending payout:

	Negative taxable income	
	31/12/2021	31/12/2020
2015	1.016.970	1.016.970
2016	735.373	735.373
2017	975.587	975.587
01/01/2018 - 13/09/2018	972.870	972.870
14/09/2018 - 31/12/2018	913.278	913.278
2019	1.476.314	1.476.314
2020	1.051.651	1.051.651
2021	643.102	-
	7.785.145	7.142.043

The Company has all the taxable income generated activated under the deferred tax assets heading of the balance sheet, until its incorporation into the REIT regime, dated 14 September 2018. This amounts to 3,700,800 euros.

Information requirements arising its REIT status, Law 11/2009, modified by Law 16/2012 and by Law 11/2021

a) Reserves from years prior to the application of the tax regime established in Law 11/2009 dated 26 October, modified by Law 16/2012 dated 27 December and by Law 11/2021 dated 9 July of the Company.

The reserves generated prior to the application of the REIT regime is 9,199,194 euros.

b) Reserves from years during which the tax regime established in this Law is applied, differentiating any portion from income subject to the zero, 15 or 19 per cent tax rate with respect to any may have been taxed at the general tax rate.

As no distributable profits have been generated since the acceptance of taxation under the special REIT regime, the reserves generated under the REIT regime are currently zero.

c) Dividends distributed charged to profit for each financial year during which the tax regime established in this Law is applicable, differentiating any portion from income subject to the zero, 15 or 19 per cent tax rate with respect to any may have been taxed at the general tax rate.

No dividends have been distributed that are charged to reserves generated under the REIT regime.

d) In the event of distribution of dividends charged to reserves, designation of the financial year corresponding to the applied reserve and if they have been taxed at the zero per cent, 15 per cent and 19 per cent tax rate or at the general rate.

Dividends that are charged to reserves generated under the REIT regime or dividends generated with a charge to reserves generated under the general regime have not been distributed.

e) Date of the dividend distribution agreement referred to in letters c) and d) above

There is no dividend distribution agreement in place.

f) Date of acquisition of the properties intended for lease and of the shares in the capital of the companies referred to in section 1 of Article 2 of this Law.

The properties are as follows:
Ronda Sant Pere 32 (Barcelona) acquired on 8 August 2014
Avenida Diagonal 596 (Barcelona) acquired on 30 September 2015
Paseo de Gracia 115 (Barcelona) acquired on 27 October 2015
Martinez Cubells 5 (Valencia)acquired on 25 March 2019

g) Identification of the asset that accounts for the 80% referred to in section 1 of Article 3 of this Law:

100% of the Company's real estate investment is composed of urban properties intended for lease.

- Shares of 100% in RSRP Singular Assets Portugal Unipessoal Lda established on 30 June 2019 with corporate address at Rua da Alegria, 783 R/C Concelho Porto Freguesia Bonfim 4000 047 Porto. The Company owns a hotel building in the city of Porto (Portugal) (See note 9).

- Shares of 70% in RSR Cedofeita Palace SA con domicilio social in Rua Augusto Rosa 79, Porto, Concelho Porto Freguesia Cedofeita, 4000 098 Porto. The Company owns a hotel building under construction in the city of Porto (Portugal) (See note 9).

h) Reserves from years during which the special tax regime has been applicable established in this Law that have been disposed of during the tax period, other than for their distribution or to offset losses, identifying the year from which the reserves originate.

There have been no results generated under the REIT regime.

17) Information on the environment

Given the activity that the Company specialises in, it has no responsibilities, expenses, assets or provisions or contingencies of an environmental nature that might be significant in relation to the financial statements.

18) Income and expenses

a) Net turnover amount

The breakdown of the turnover is as follows:

	2021	2020
Rental income	4.208.165	3.621.633
	4.208.165	3.621.633

All rented properties are located in Spain.

b) Other operating expenses

The breakdown of other operating expenses is as follows:

	2021	2020
Leases	67.309	67.282
Repairs	22.053	28.755
Professional services	1.125.588	822.700
Transport	767	902
Insurance premiums	69.430	64.268
Bank services	12.564	27.574
Supplies	-	971
Other services	33.197	167.780
Taxes	325.569	303.290
	1.656.477	1.483.522

c) Depreciation of fixed assets

The depreciation details are as follows:

	2021	2020
Intangible fixed assets (note 5)	69.500	69.500
Tangible fixed assets (note 6)	310.332	315.672
Real estate investments (note 7)	1.775.094	1.765.991
	2.154.926	2.151.163

d) Financial income

The following details the financial income:

	2021	2020
Financial income		
Group companies (note 17)	358.969	172.334
Others	-	-
	358.969	172.334
Financial expenses		
Group companies (note 17)	781.353	841.111
Loan institutions	1.318.625	1.193.271
Others	-	51.977
	2.099.978	2.086.359

19) <u>Operations with related parties</u>

Operations were conducted with the following related parties during the financial year:

Company	Type of relationship
RSR Estate Hotel Covandonga SARL (Luxembourg)	Parent company
RSRP Singular Assets Portugal Unipessoal Lda	Group company
RSRP Cedofeita, S. A.	Group company

The companies RSRS Estate Spain, SARL and RSR Estate PDG 115, SARL were merged in a takeover in 2021, the merging company being RSR Estate Hotel Covandonga SARL (Luxembourg).

The detail of operations with group, multi-group and associate companies in 2021 and 2020 is as follows:

	2021 Income (expense)	
Item	Interest charged	Interest income
Parent company	(781.353)	-
Other companies from the group		358.969
Total group companies and associates	(781.353)	358.969

	2020 Income (expense)	
Item	Interest charged	Interest income
Parent company	479.613	-
Other companies from the group	361.498	172.334
Total group companies and associates	841.111	172.334

The detail of the balance sheet balances with related parties is as follows:

Financial income		
Pre-tax income for interrupted operations		
Tax on Profits		
Income from the financial year corresponding to interrupted operations		

Detail of cash flows corresponding to interrupted operations
(Expressed in euros)

	Financial year 200X	Financial year - 200X-1
Cash flows from operating activities		
Cash flows from investing activities		
Cash flows from financing activities		

	Parent Company	Other group companies	Joint businesses
Asset purchases and sales			
Services reception and provision			
Financial lease contracts (2)			
Research and development transfers (2)			
Licence agreements (2)			
Financing agreements (1) (2)			
Interest paid and charged			
Interest earned but not paid or received			
Dividends			

The long-term loans with the investee company RSRP Singular Assets Portugal unipessoal LDA correspond to two contracts with the following characteristics:

- A loan of 13,790,000 euros formalised on 26 July 2019, with a 10-year maturity, a grace period of one year and an interest rate of 2.6% with no interest accrual during the first year.

- A loan of 5,000,000 euros formalised on 5 October 2020, with a 11-year maturity, a grace period of one year and an interest rate of 2.7% with no interest accrual in the first year.

  The Company capitalised the loan pending payment in 2021 for a sum of 8,000,000 euros with RSRP Singular Assets Portugal Unipessoal, converting it into a higher value of the Company's equity.

- A loan of 945,000 euros formalised on 1 July 2020, with a 14-year maturity, a grace period of one year and an interest rate equivalent to the EURIBOR + 3% and an interest grace period for the first two years.

  Debts with Group companies correspond to the following loans:

- A loan of 15,003,020 euros formalised with RSR Estate Hotel Covadonga, SARL on 24 September 2015, with a 10-year maturity and an Euribor interest rate (one year) plus a spread of 3% (2020: 17,803,020 euros).

- A loan of 2,800,000 euros formalised with RSR Estate Hotel Covadonga, SARL on 28 May 2015, with a 10-year maturity and an Euribor interest rate (one year) plus a spread of 3% (2020: 2,800,000 euros).

  Financial expenses for interest on the loan accrued during the financial year amounted to 446,722 euros (2020: 495,814 euros).

- A loan of 1,199,999 euros formalised with RSR Estate Hotel Covadonga, SARL on 28 May 2015, with a 10-year maturity and an Euribor interest rate (one year) plus a spread of 3% (2020: 1,199,999 euros).

- A loan of 12,053,749 euros formalised with RSR Estate Hotel Covadonga, SARL on 1 September 2014, with a 10-year maturity and an Euribor interest rate (one year) plus a spread of 3% (2020: 12,053,749 euros).

  Financial expenses for interest on the loan accrued during the financial year amounted to 331,221 euros (2020: 367,620 euros).

- A loan of 135,878 euros formalised with RSR Estate Hotel Covadonga, SARL on 1 January 2016, with a 10-year maturity and an Euribor interest rate (one year) plus a spread of 3%. It has partial capital repayments of 1/9 per year and a grace period of one year. The outstanding balance amount for this loan at 31 December 2021 is 135,878 euros (2020 135,878 euros).

  Financial expenses for interest on the loan accrued during the financial year amounted to 3,410 euros (2020: 13,239 euros).

20) Board of directors and senior management:

a) Payment to the members of the Board of Directors and Senior Management:

The members of the Board of Directors did not receive any payment during the financial year ended on 31 December 2021 and 2020 as a result of their positions as directors. Furthermore, no contribution has been made in the form of pension funds or plans in favour of former or current members of the Company's Board of Directors. No obligations have been entered into for these concepts during the year. The members of the Company Board of Directors have not received any payment for equity shares in profits or premiums. They also received no shares or share options during the year and have not exercised options to be exercised. The Company has not taken out any civil liability insurance for its directors.

b) Advances and loans to the members of the administrative body:

No advances were made or loans granted to the Board of Directors during the financial year ended 31 December 2021 and 2020.

c) Payment and loans to senior management staff:

The Company did not grant loans to the Board of Directors during the 2021 and 2020 financial years.

d) Director conflict of interest situations:

The Board of Directors is responsible for making decisions that affect the Company's economic and strategic policies.

The directors holding positions on the Board of Directors complied with the obligations set forth in Article 228 of the revised text of the Capital Companies Law during the financial year in the duty to prevent conflict of interest situations for the Company. Furthermore, both they and anyone linked to them have refrained from engaging in cases of conflict of interest provided for in Article 229 of said Law, except in cases where the corresponding authorisation has been obtained.

21) Other information

The average number of employees during the financial year is as follows:

Professional category	2021	2020
Administative-type employees	1	1
	1	1

The number of directors and people employed at year-end, distributed by professional category, is as follows:

	At 31.12.2021		At 31.12.2020	
Professional category	Men	Women	Men	Women
Directors (non-employees)	2	1	2	1
Administrative-type employees	1	-	1	-
Administrative-type employees	3	1	3	1

No direct payment was accrued in favour of the directors during the 2021 financial year. The Company has also received different services from a company linked to one of the directors (see note 17).

There is no senior management as these roles are assumed by the directors.

22) Audit fees

The fees accrued during the 2021 and 2020 financial years by PricewaterhouseCoopers Auditores, S.L. for account auditing services amounted to 28,500 and 28,500 euros, respectively. No tax services were provided or required from the account's auditor according to applicable regulations during the 2021 and 2020 financial years.

23) <u>Agreements, provisions and contingencies</u>

a) Sureties and guarantees:

The company had no sureties and guarantees during the 2021 and 2020 financial years.

b) Contingencies:

The Company has no contingent liabilities for litigation arising in the normal course of business from which no significant liabilities are expected to arise.

24) <u>Subsequent events</u>

The effects of the conflict between Russia and Ukraine include an increase in the price of certain raw materials and energy costs, as well as the activation of sanctions, embargoes and restrictions against Russia that affect the economy in general and specifically companies with operations with and in Russia.

The extent to which this armed conflict will impact the Company's business will depend on how future events unfold that cannot be reliably predicted at the date of preparation of this financial statement.

The Company does not have direct exposures in these countries. Therefore, despite the existing uncertainty, the Company's Board of Directors does not expect that this situation could significantly affect the financial situation.

New investments have been made that will be profitable and that will meet the criteria of maximizing profit, business stability and uniqueness of the assets, such as a swimming pool at Hotel Gala (increasing the value of the asset and the income obtained) and the purchase of a new project in Madrid in 2022 for the construction of a superior 4-star hotel with a roof top terrace and a unique restaurant on the ground floor. The project also involves a flagship modern building with ample vegetation and a 360º view from the roof top terrace, creating a green space in the centre of Madrid that will make it stand out from other hotels already located in the area. The construction of a rotation car park is also being planned. The location is AAA due to being located just several metres from the Plaza Mayor.

RSR SINGULAR ASSETS EUROPE SOCIMI, S.A.
Management report for the 2021 financial year

1. BUSINESS EVOLUTION AND COMPANY SITUATION.

The company RSR SINGULAR ASSETS EUROPE SOCIMI, S.A., was established on 30 July 2015, under the name RSR Diagonal 596 S.L. The sole shareholder approved its transformation into a public limited company on 13 September 2018, renamed RSR Diagonal 596, S.A.U.

A deed for a take-over merger between RSR Diagonal 596 S.A.U and Verrox XXI, S.L.U. and PDG 115 Apartaments Turístics S.L.U. was granted on 13 September 2018, through the take-over by the former party of the two latter parties and wound up without going into liquidation of the taken-over companies and the block transfer of their respective assets to the merging company, as universal successor.

The data relating to said merger was included in the financial statement for the year ended 13 September 2018.

The sole shareholder approved the adoption of the REIT special regime for the financial year ending on 13 September 2018 and successive years on 14 September 2018, requesting the application of the special taxation regime on 28 September 2018 from the Tax Agency in accordance with the provisions of Law 11/2009 dated 26 October as restated in Law 16/2012 dated 27 December, regulating REIT ("REIT legislation").

For this reason, the company's name was changed on 14 September 2018 to RSR Diagonal 596 SOCIMI S.A.U. and finally changed to its current name on 25 October 2018.

During the 2019 financial year, the company had equity in the establishment of a company in Portugal (RSRP SINGULAR ASSETS PORTUGAL, UNIP. LDA), contributing 100% of its corporate capital, specialising in the acquisition and development of urban real estate for lease and does not trade on the stock market.

The company participated in the constitution of a company in Portugal (RSRP Cedofeita, S.A.) during the 2020 financial year contributing 100% of its share capital, which specialises in the operation and management of hotel and tourist establishments, real estate assets and similar, as well as the development, organisation of events and consultancy in terms of hotel, tourism, real estate and similar operations.

At 31 December 2021, the company has real estate investments that amount to a market value of 118,940 thousand euros, consisting of 4 properties, the purpose of which is rental, and which are currently being rented mainly to hotel operators.

The company signed financing contracts during the 2021 financial year for a total of 700,000 euros with Banco Santander, which are ICO guarantee lines that mature in 2026.

Shareholders also contributed funds during the 2021 financial year for a total sum of 5,500 thousand euros

The evolution of the share price has remained steady at 12.98 euros per share in 2021 and 2020, in its listing on Euronext.

The number of directors and people employed at year-end, distributed by professional category, is as follows:

	At 31.12.2021		At 31.12.2020	
Professional category	Men	Women	Men	Women
Directors (non-employees)	2	1	2	1
Administrative-type employees	1	-	1	-
Administrative-type employees	3	1	3	1

2. AVERAGE PAYMENT PERIOD

For the purposes of the provisions of the second additional provision of Law 31/2014 dated 3 December modifying the Capital Companies Act and in accordance with the Resolution dated 29 February 2016 of the Official Register of Account Auditors, something that is included below with the average period of payment to suppliers, ratio of operations paid, ratio of operations pending payment, total payments made and total pending payments:

	2021	2020
	Days	Days
Average period of payment to suppliers	14	21
Ratio of operations paid	13	13
Ratio of operations pending payment	131	158

	2021	2020
	Amount	Amount
Total payments made	1,978,947	1,845,450
Total payments outstanding	17,223	111,074
Total	**1,996,170**	**1,956,524**

The Company's Directors work to comply with the law regarding the ratio of transactions pending payment.

3. MAIN RISKS AND UNCERTAINTIES FACED BY THE COMPANY

a) Qualitative information

The management of the Company’s financial risks is concentrated on Management from the same, which has established the necessary mechanisms to control the exposure to changes in interest rates, exchange rates, as well as in the credit and liquidity risks.

Activity with financial instruments exposes the Company to credit, market and liquidity risk.

b) Quantitative information

B.1. Credit risk

Credit risk is the risk that the counterparty to the financial instrument may cause a financial loss to the Company if it defaults on any obligation. The book value of financial assets represents the maximum level of exposure to credit risk.

The maximum exposure to credit risk at 31 December was as follows:

	31.12.2021	31.12.2020
Long-term investments in group companies and associates	19,735,000	27,000,000
Long-term financial investments	115,216	115,216
Trade debtors and other accounts receivables	1,949,945	1,425,679
Short-term investments in group companies and associates	330	172,664
Short-term financial investments	415,826	300
Cash and cash equivalents	2,552,095	2,069,546
	24,768,412	30,783,105

The detail by the issue date of "Trade debtors and other accounts receivable" at 31 December is as follows:

	31.12.2021	31.12.2020
Not due	99,204	189,498
Due but not doubtful		
Fewer than 30 days	41,594	50,264
Between 30 and 60 days	114,086	45,829
Between 60 and 90 days	71,902	4,235
Between 90 and 120 days	54,392	
More than 120 days	1,568,660	1,135,853
	1,975,938	1,425,679
Doubtful	-	-
Impairment adjustments	-	-
Total	1,975,938	1,425,679

b.2 Market risk

Market risk is the risk that changes in market prices, such as in exchange rates, interest rates or prices of equity instruments, will affect the income or the value of the financial instruments held. The purpose of market risk management is to manage and control the Company's exposures to this risk within reasonable parameters while also optimising profitability.

Exchange rate risk

The Company operates internationally in Portugal and is therefore not exposed to exchange rate risks for foreign currency transactions.

Interest rate risk

The Company's policy is to minimise exposure to interest rate risk in long-term financing. The bank loans are at a fixed rate and the loans with group companies are at a variable interest rate, therefore exposing the Company to interest rate risk in the cash flows.

b.3 Liquidity risk

Liquidity risk is the risk of the Company being unable to meet its financial obligations as they come due. The company's policy is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its obligations when due, both under normal conditions and in stressful situations, without incurring unmanageable losses or risk the reputation of the Company.

The Company manages the liquidity risk prudently, based on ensuring the availability of cash through financing contracts with credit institutions and with group companies, which allow the company to execute its business plans and operations with sources of stable and secured financing.

The emergence of COVID-19 in China in January 2020 and its global expansion, including Spain, led to the viral outbreak being classified as a pandemic by the World Health Organization on11 March 2020. Financial markets and different

sectors of the economy have suffered a slowdown due to this pandemic that has continued throughout 2021. The Company's Directors and Management have evaluated this situation and the consequences it could have on the Company's business and liquidity. The main risks are detailed below:

(i) Operations risk

The Directors do not foresee any significant drop in the valuation of their assets at the date of preparation of this financial statement. In terms of income from the lease contract with the lessees the Company has managed to close negotiations and thus guarantee income for this and following financial years with the lessees.

(ii) Liquidity risk

The Directors are performing an analysis of the current and future situation to guarantee the Company's liquidity. The different negotiations performed by the Company with the lessees allow it to have a stable income flow that is sufficient to cover short-term obligations.

The Directors are making significant efforts to control expenses, managing to guarantee liquidity in future years.

(iii) Valuation risk

The Company's management has individually monitored the credit quality of each lessee and their payment compliance during the year.

The Company also evaluates the possible impairment of real estate investments, comparing the net book value with the fair value obtained from the valuations conducted by the independent expert, which no longer reflect future impacts arising from the pandemic.

Finally, it should be noted that the Directors are constantly monitoring how the situation is evolving in order to deal with any possible financial and non-financial impact that may occur.

4. FORECAST PROGRESS OF THE COMPANY

The purpose of stability of the Spanish assets was met during the 2021 financial year given how the year closed at full capacity for all the assets located in Spain, with 4 assets in the portfolio.

The expected turnover target for 2021, which was set at 4.81 thousand euros, would have been met under normal circumstances.
The pandemic generated by COVID-19 affected the tourism sector, with hotels having to close their doors under government decree for several months, and subsequently opening with less business than

they used to have. Rent reduction agreements were reached with the operators. Turnover for 2021 therefore fell by 11% over the estimate, which is considerably lower than the rest of the sector, thanks to the quality of the assets and their location together with fixed income contracts and solvent operators.

However, the Reit was not particularly affected by the type of its assets, in addition to the solvency of the operators and the business prudence with which the company is managed.

Thanks to this conservative management, the company is healthy and enjoys good financial health and solvency. All these factors have been decisive in being able to face the pandemic without it having a substantial effect on income.

The portfolio globalisation process began with the purchase of two assets in Portugal, one of which completed its remodelling process at the end of 2020 and is fully operational. This asset will also help maintain the particular aesthetics of the place located, due to the fact that the particular features of a historic building have been respected. The other is a unique and exclusive asset that will be transformed into Hotel Palacio through a comprehensive overhaul.

The positive trend has been maintained both with lessees and with external advisors, maximising the work carried out for the Reit.

New investments have been made that will be profitable and that will meet the criteria of maximizing profit, business stability and uniqueness of the assets, such as a swimming pool at Hotel Gala (increasing the value of the asset and the income obtained) and the purchase of a new project in Madrid in 2022 for the construction of a superior 4-star hotel with a roof top terrace and a unique restaurant on the ground floor. The project also involves a flagship modern building with ample vegetation and a 360º view from the roof top terrace, creating a green space in the centre of Madrid that will make it stand out from other hotels already located in the area. The construction of a rotation car park is also being planned. The location has AAA status thanks to being located just several metres from the Plaza Mayor.

5. EVENTS TAKING PLACE FOLLOWING YEAR-END

The effects of the conflict between Russia and Ukraine include an increase in the price of certain raw materials and energy costs, as well as the activation of sanctions, embargoes and restrictions against Russia that affect the economy in general and specifically companies with operations with and in Russia.

The extent to which this armed conflict will impact the Company's business will depend on how future events unfold that cannot be reliably predicted at the date of preparation of this financial statement.

The Company does not have direct exposures in these countries. Therefore, despite the existing uncertainty, the Company's Board of Directors does not expect that this situation could significantly affect the financial situation.

New investments have been made that will be profitable and that will meet the criteria of maximizing profit, business stability and uniqueness of the assets, such as a swimming pool at Hotel Gala (increasing the value of the asset and the income obtained) and the purchase of a new project in Madrid in 2022 for the construction of a superior 4-star hotel with a roof top terrace and a unique restaurant on the ground floor. The project also involves a flagship modern building with ample vegetation and a 360º view from the roof top terrace, creating a green space in the centre of Madrid that will make it stand out from other hotels already located in the area. The construction of a rotation car park is also being planned. The location has AAA status thanks to being located just several

metres from the Plaza Mayor.

6. RESEARCH AND DEVELOPMENT ACTIVITIES

No research and development activities took place during the 2021 and 2020 financial years.

7. OWN SHARES

The Company does not have any own shares.

8. ENVIRONMENTAL INFORMATION

Given the activity conducted by the Company, no work related to the protection and improvement of the environment was required or performed during the 2021 and 2020 financial year. The Company has no environmental contingencies, no legal claims, no income and expenses for this item at the end of the 2021 and 2020 financial years.

RSR Singular Assets Europe SOCIMI, S.A.
Report for the formulation of financial statements and management report for the 2021 financial year

This Financial Statement and Management Report corresponding to the financial year beginning on 1 January 2021 and ending on 31 December 2021, in compliance with the requirements established in Articles 253 of the Capital Companies Act and Article 37 of the Code of Commerce have been formulated by the Board of Directors of the company **RSR SINGULAR ASSETS EUROPE SOCIMI, S.A.U** dated 30 March 2022.

The financial statement composed of the balance sheet, the profit and loss account, the statement of changes in equity and the statement of cash flows, together with the report and the Management Report, are issued on the preceding sheets, with al its pages endorsed by the secretary member of the Board of Directors.

In Madrid, 30 June 2022, in witness whereof:

Mr Samer-Jamil Hreiki
Chairman of the Board of Directors

Mr Jean-Nicolas Bourtembourg
Member of the board of directors

Ms Carmen Escriva de Romani Muñoz
Secretary member of the Board of Directors