Renta Corporación Real Estate, S.A. and Subsidiaries

Consolidated Financial Statements for the year ended 31 December 2019, prepared in accordance with International Financial Reporting Standards and Consolidated Directors' Report

RENTA CORPORACIÓN REAL ESTATE, S.A. AND SUBSIDIARIES
(RENTA CORPORACIÓN GROUP)

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2019
(Thousands of euros)

ASSETS	Notes	31/12/2019	31/12/2018	EQUITY AND LIABILITIES	Notes	31/12/2019	31/12/2018
NON-CURRENT ASSETS:				**EQUITY:**			
Intangible assets		**402**	**49**	**SHAREHOLDERS' EQUITY-**		**75,129**	**61,180**
Property, plant and equipment-		**188**	**259**	**Share capital-**		**32,888**	**32,888**
Plant and other property, plant and equipment		188	259	Registered share capital		32,888	32,888
Rights of use	**Note 2-b**	**1,094**	**-**	Share premium		89,913	89,913
Investment property	**Note 7**	**23,578**	**21,660**	Reserves of the Parent		20,681	20,865
Non-current investments in Group companies and associates-		**-**	**21**	Prior years' losses of the Parent		(78,256)	(92,358)
Investments accounted for using the equity method	Note 9	-	21	Consolidated reserves		(3,404)	(2,783)
Non-current financial assets	**Note 10**	**21,022**	**12,915**	Treasury shares		(2,608)	(2,853)
Equity instruments		13,397	3,038	Consolidated profit for the year attributable to the Parent		17,115	16,608
Long-term accounts receivable	Notes 10 and 18	7,537	9,826	(Interim dividend)		(1,200)	(1,100)
Other financial assets		88	51	**VALUATION ADJUSTMENTS**		**712**	**312**
Deferred tax assets	**Note 16**	**27,055**	**24,055**	Available-for-sale financial assets	Note 10	712	312
Total non-current assets		**73,339**	**58,959**	**Total equity**	**Note 14**	**75,841**	**61,492**
				NON-CURRENT LIABILITIES:			
				Non-current payables -	**Note 15**	**42,058**	**40,647**
				Non-current debt instruments and other marketable securities		16,185	15,827
				Bank borrowings		23,337	23,073
				Other financial liabilities		2,536	1,747
				Deferred tax liabilities	**Note 16**	**2,276**	**1,612**
CURRENT ASSETS:				**Total non-current liabilities**		**44,334**	**42,259**
Inventories-	**Note 11**	**88,308**	**57,395**				
Land and building lots		18,115	18,115	**CURRENT LIABILITIES:**			
Buildings acquired for refurbishment and/or conversion		62,916	37,671	**Current payables-**	**Note 15**	**47,582**	**15,969**
Purchase options		7,277	1,609	Current debt instruments and other marketable securities		12,678	258
Trade and other receivables-		**10,672**	**6,038**	Current bank borrowings maturing at long term		27,853	12,129
Trade receivables for sales and services	Note 12	7,139	1,126	Current bank borrowings		2,142	561
Sundry accounts receivable	Note 12	2,465	2,662	Other current financial liabilities maturing at long-term		4,500	2,956
Employees		2	7	Other current financial liabilities		409	65
Other accounts receivable from public authorities	Note 16	1,066	2,243	**Trade and other payables-**		**10,287**	**11,495**
Current financial investments-		**372**	**98**	Payable to suppliers – Group companies and associates	Note 18	-	5
Loans to third parties		6	13	Sundry accounts payable		5,571	8,192
Other financial assets		366	85	Remuneration payable		138	125
Cash and cash equivalents-	**Note 13**	**5,353**	**8,725**	Other accounts payable to public authorities	Note 16	2,221	1,870
Cash on hand		5,353	8,725	Customer advances		2,357	1,303
Total current assets		**104,705**	**72,256**	**Total current liabilities**		**57,869**	**27,464**
TOTAL ASSETS		**178,044**	**131,215**	**TOTAL EQUITY AND LIABILITIES**		**178,044**	**131,215**

The accompanying Notes 1 to 22 and the Appendices are an integral part of the consolidated balance sheet at 31 December 2019.

RENTA CORPORACIÓN REAL ESTATE, S.A. AND SUBSIDIARIES
(RENTA CORPORACIÓN GROUP)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2019
(Thousands of euros)

	Notes	2019	2018
CONTINUING OPERATIONS:			
Revenue	Note 17	89,550	90,222
Other operating income		578	151
Changes in inventories of buildings acquired for refurbishment and/or conversion	Note 17	(54,555)	(59,721)
Staff costs	Note 17	(6,151)	(4,653)
Other operating expenses		(10,289)	(8,534)
Depreciation and amortisation charge		(300)	(93)
Consolidated profit from operations		**18,833**	**17,372**
Changes in fair value of investment property	Note 7	1,899	1,991
Finance income	Note 17	49	58
Finance cost	Note 17	(3,591)	(3,357)
Impairment and gains or losses on disposals of financial instruments		6	(1)
Consolidated profit before tax		**17,196**	**16,063**
Income tax	Note 16	(81)	545
Consolidated profit for the year		**17,115**	**16,608**
Consolidated profit for the year attributable to the Parent		**17,115**	**16,608**
Consolidated profit for the year attributable to non-controlling interests		**-**	**-**
Basic earnings per share (euros)	**Note 5**	**0.53**	**0.52**
Diluted earnings per share (euros)	**Note 5**	**0.53**	**0.52**

The accompanying Notes 1 to 22 and the Appendices are an integral part of the consolidated statement of profit or loss for the year ended 31 December 2019.

RENTA CORPORACIÓN REAL ESTATE, S.A. AND SUBSIDIARIES
(RENTA CORPORACIÓN GROUP)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR
THE YEAR ENDED 31 DECEMBER 2019
A) CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
(Thousands of euros)

	2019	2018
CONSOLIDATED PROFIT FOR THE YEAR (I)	17,115	16,608
Total income and expense recognised directly in consolidated equity (II)	400	312
- On valuation of financial instruments	533	416
Available-for-sale financial assets	533	416
- Tax effect	(133)	(104)
Total transfers to consolidated profit or loss (III)	-	-
Total consolidated recognised income and expense (I+II+III)	17,515	16,920
Total income and expense attributable to the Parent	17,515	16,920
Total income and expense attributable to the non-controlling interests	-	-

The accompanying Notes 1 to 22 and the Appendices are an integral part of the consolidated statement of recognised income and expense for the year ended 31 December 2019.

RENTA CORPORACIÓN REAL ESTATE, S.A. AND SUBSIDIARIES
(RENTA CORPORACIÓN GROUP)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR
THE YEAR ENDED 31 DECEMBER 2019
B) CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY
(Thousands of euros)

	Share capital	Share premium	Reserves of the Parent	Prior years' losses of the Parent	Consolidated reserves	Treasury shares	Net consolidated profit for the year attributable to the Parent	Interim dividend	Valuation adjustments	Total
Balance at 31 December 2017	**32,888**	**89,913**	**20,956**	**(106,023)**	**(1,593)**	**(3,013)**	**12,484**	**-**	**-**	**45,612**
Total recognised income and expense	-	-	-	-	-		16,608	-	312	16,920
Distribution of 2017 profit	-	-	-	13,665	(1,181)	-	(12,484)	-	-	-
Transactions with shareholders:										
Interim dividend	-	-	-	-	-	-	-	(1,100)	-	(1,100)
Share-based payments	-	-	(91)	-	-	160	-	-	-	69
Other changes in equity	-	-	-	-	(9)	-	-	-	-	(9)
Balance at 31 December 2018	**32,888**	**89,913**	**20,865**	**(92,358)**	**(2,783)**	**(2,853)**	**16,608**	**(1,100)**	**312**	**61,492**
Total recognised income and expense	-	-	-	-	-	-	17,115	-	400	17,515
Distribution of 2018 profit	-	-	-	14,102	(494)	-	(16,608)	1,100	-	(1,900)
Transactions with shareholders:										
Interim dividend	-	-	-	-	-	-	-	(1,200)	-	(1,200)
Treasury share transactions	-	-	(38)	-	-	(53)	-	-	-	(91)
Share-based payments	-	-	(146)	-	-	298	-	-	-	152
Other changes in equity	-	-	-	-	(127)	-	-	-	-	(127)
Balance at 31 December 2019	**32,888**	**89,913**	**20,681**	**(78,256)**	**(3,404)**	**(2,608)**	**17,115**	**(1,200)**	**712**	**75,841**

The accompanying Notes 1 to 22 and the Appendices are an integral part of the consolidated statement of changes in total equity for the year ended on 31 December 2019.

(Amounts in thousands of euros)

RENTA CORPORACIÓN REAL ESTATE, S.A. AND SUBSIDIARIES
(RENTA CORPORACIÓN GROUP)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019
(Thousands of euros)

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES (I):		**(31,053)**	**(10,280)**
Consolidated profit for the year before tax-		**17,196**	**16,063**
Adjustments for-		**(6,206)**	**(7,845)**
Depreciation and amortisation charge		300	93
Impairment losses		201	579
Impairment and gains or losses on disposals of financial instruments		(6)	1
Finance income	Note 17	(49)	(58)
Finance cost	Note 17	3,591	3,357
Changes in fair value of investment property	Note 7	(1,899)	(1,991)
Other income and expenses	Note 10	(8,344)	(9,826)
Changes in working capital-		**(37,271)**	**(14,069)**
Inventories	Note 11	(30,921)	(15,843)
Trade and other receivables		(6,073)	(1,885)
Trade and other payables		(277)	3,659
Other cash flows from operating activities-		**(4,772)**	**(4,429)**
Interest paid		(2,279)	(1,915)
Income tax paid		(2,493)	(2,514)
CASH FLOWS FROM INVESTMENT ACTIVITIES (II):		**(717)**	**(402)**
Payments due to investment-		**(766)**	**(1,404)**
Intangible assets		(372)	(52)
Property, plant and equipment		(27)	(209)
Investment properties	Note 7	(19)	(114)
Other financial assets	Note 10	(348)	(1,029)
Proceeds from disposal-		**49**	**1,002**
Group companies and associates		12	31
Other financial assets		37	971
CASH FLOWS FROM FINANCING ACTIVITIES (III):		**28,398**	**15,692**
Proceeds and payments relating to equity instruments-		**63**	**69**
Disposal of equity instruments	Note 14	63	69
Proceeds and payments relating to financial liability instruments-		**31,435**	**16,723**
Proceeds from issue of debt instruments and other marketable securities	Note 15	19,021	15,802
Proceeds from issue of bank borrowings	Note 15	32,067	28,021
Proceeds from issue of other borrowings	Note 15	4,673	5,400
Repayment of debt instruments and other marketable securities	Note 15	(6,500)	-
Repayment of bank borrowings	Note 15	(14,688)	(24,062)
Repayment of other borrowings	Note 15	(3,138)	(8,438)
Dividends and returns on other equity instruments paid-		**(3,100)**	**(1,100)**
Dividends	Note 3	(3,100)	(1,100)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)		**(3,372)**	**5,010**
Cash and cash equivalents at beginning of year		8,725	3,715
Cash and cash equivalents at end of year	Note 13	5,353	8,725

The accompanying Notes 1 to 22 and the Appendices are an integral part
of the consolidated statement of cash flows for the year ended 31 December 2019.

Renta Corporación Real Estate, S.A. and Subsidiaries

Notes to the Consolidated Financial Statements for the year ended 31 December 2019

1. Activities of the Renta Corporación Group

Renta Corporación Real Estate, S.A. (from its incorporation until 2 June 2001 Suatel XXI, S.L., and in the period from 2 June 2001 to 5 December 2003 Corporación Renta Antigua, S.A.), the Parent of the Renta Corporación Real Estate Group ("the Group" or "the Renta Corporación Group"), was incorporated as a private limited liability company in Barcelona on 9 October 2000, and became a public limited liability company on 27 October 2001. Since 29 October 2007, its registered office and tax domicile have been at Vía Augusta, 252-260 (Barcelona), where its main offices are also located.

The shares of Renta Corporación Real Estate, S.A. ("the Parent") are traded on the Spanish Stock Market Interconnection System and are listed on the Madrid and Barcelona Stock Exchanges.

The corporate purpose of the Parent is the performance of all types of transactions involving movable property, except those regulated by special legislation, and real estate. The activity and business of the Parent consists of the acquisition of real estate assets for their conversion and sale. The principal objective of this conversion process is to create value by adapting the properties to the needs of the demand in each market. As part of these conversion processes, the Parent acts on various elements that make up the real estate asset and its value. These conversion elements are: the physical condition of the asset, its use and classification, its rental and profitability status, the conditioning urban development factors, certain legal aspects, the division or aggregation of properties, etc.

The Group divides its activities into two business units: Transaction Management and Asset Management.

Transaction Management

Transaction Management refers to all the properties for which, in the normal course of the Group's operations, the latter performs a purchase and sale transaction or provides a service. The Transaction business is in turn divided into two business lines:

a. *Property Sales* –

   Acquisition, refurbishment and sale of buildings to third parties, recording the entire transaction in the Group's balance sheet.

b. *Real Estate Project Management* –

   Acquisition of a right to purchase a property and development of the conversion project. The property is then sold to a third party; therefore, in this case, the transaction is not reflected in the Group's balance sheet. The proposed improvements and conversions may be carried out by the Group at the buyer's request, or by the buyer itself.

Both business units perform the same activity and follow practically the same business process, consisting of the purchase of real estate assets for conversion and sale.

The main purpose of this conversion process is to create value by adapting the properties to the needs of the demand in each market. The process generally entails a change of use, physical improvements to the buildings and repositioning of the properties in the market by enhancing the returns therefrom.

Asset Management –

Asset management relates to properties managed by the Group from which returns are obtained. These properties include both those owned by the Group and those owned by third parties but which are managed by the Group. They relate in both cases to residential buildings and, in the case of those owned by third parties, the average investment exceeds EUR 10.0 million.

Status of the Arrangement with Creditors and the effects of the lifting of the insolvency proceedings –

On 19 March 2013, the Parent and three of its subsidiaries filed a petition for voluntary insolvency proceedings, which was given leave to proceed by the Barcelona Commercial Court No. 9 on 27 March 2013. Also, on 8 July 2014 Barcelona Commercial Court No. 9 handed down a final judgement approving the Arrangement with Creditors.

The Arrangement with Creditors approved by the Renta Corporación Group encompassed several alternatives or payment proposals in the case of both secured claims and ordinary and subordinated claims. In this regard, it was agreed that the secured claims, that were not settled with the assets securing them, would be settled together with the ordinary claims, and the secured creditors had the opportunity to choose from among the various payment alternatives proposed in the payment proposal for the ordinary and subordinated claims. With regard to the latter claims, the Arrangement offered the creditors the option to choose from among the various alternatives for the settlement of their claims, including a proposal that contained a debt composition and rescheduling option and another that envisaged the conversion of loans into participating loans or the maintenance of participating loans and their subsequent partial conversion into shares and repayment of the remaining amount. Specifically, the three alternatives proposed were as follows:

Alternative A: Progressive reduction and payment over eight years.

Alternative B: Conversion of loans into participating loans or maintenance of participating loans.

Alternative C: Conversion of loans into participating loans or maintenance of participating loans with no intermediate repayments.

In the case of credits under *Alternative A*, they should be paid within an eight-year term. The first of these annual periods started one year after the date on which the Arrangement with Creditors became effective, i.e., on 8 July 2015, and the first payment was made on 8 July 2016.

The subordinated creditors to whom this Alternative was applied were affected by the debt composition and rescheduling established therein, computing the rescheduling periods from the date of full compliance with the Arrangement in this Alternative with respect to the ordinary creditors.

Regarding the claims under *Alternative B*, they were converted into participating loans, or continued to be participating loans if they were already such prior to the commencement of the insolvency proceedings. In this regard, debtors cannot make any early repayments, except for the realisation of the land lots Pere IV and Cánovas, of which 80% or 100% of all the proceeds obtained, respectively, would have to be used. In turn, 50% of the consolidated available free cash flow ("AFCF") will have to be allocated at the end of each reporting period until 31 December 2021 on a pro rata basis among all those years.

(Amounts in thousands of euros)

The loans converted into or maintained as participating loans will bear interest at the end of each reporting period at a floating rate of one-year Euribor plus a spread. Such spread will be: 1%, if the consolidated net profit of the debtors exceeds EUR 10.0 million; 2%, if it exceeds EUR 20.0 million; and 3%, if it exceeds EUR 30.0 million. If the consolidated net profit is less than EUR 10.0 million, no floating interest will accrue.

The remaining amount of the claims affected by this Alternative must be paid in a single payment to be made when three months have elapsed from the date scheduled for the last payment to the ordinary creditors to whom Alternative A applies. If, based on the Group's consolidated financial statements for the year immediately preceding that in which the aforementioned payment should be made, there is evidence that the Group, at the closing of such reporting period, does not have sufficient AFCF to fully satisfy the payment set out in this paragraph, the debtors must allocate 50% of the average AFCF for the two months immediately preceding the payment of the remaining claims under Alternative B.

Once the aforementioned partial payment has been received, the creditors that choose Alternative B must accept as dation in payment of the rest of their claims the land lot identified as Cánovas, on an indeterminate share basis in proportion to the amount of the remaining claim that each creditor holds, free and clear of liens or charges. After this dation in payment, the creditors that choose this Alternative B have no further claims against any of the debtors. Therefore, all the obligations of the debtors under Alternative B are secured through a mortgage on the land lot identified as Cánovas owned by the consolidated company Renta Corporación Real Estate ES, S.A.U. The mortgage liability relating to this asset amounts to EUR 15,000 thousand. The mortgage was unilaterally created by the debtor owning the land lot in favour of the creditors that provided evidence that they had opted for Alternative B in proportion to the amount of their claims.

Finally, and in connection with *Alternative C*, which also covered the intra-group loans at the reporting period, on 31 December 2017, the directors of the Company and of the wholly-owned investee Renta Corporación Real Estate ES, S.A.U. entered into an agreement for the reciprocal remission of the claims held by them against the other and that were affected by the Arrangement with Creditors. In this regard, the Parent's directors and their legal advisers considered that such remission did not violate the provisions of the Arrangement or any provision of the Spanish Insolvency Law in any way whatsoever, nor did it alter the seniority or means of settling the other insolvency claims established by the Arrangement.

The detail of the results (at their face value) of applying the Arrangement with Creditors and the Singular Arrangement at 31 December 2019 and 2018 is as follows:

Item	Thousands of euros			
	Renta Corporación Real Estate, S.A.		Renta Corporación Real Estate ES, S.A.U.	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Bank borrowings	-	-	19,571	19,958
Other current and non-current accounts payable to public authorities	-	769	-	-
Other current and non-current liabilities	1,624	1,901	565	654
Total liabilities	**1,624**	**2,670**	**20,136**	**20,612**

(Amounts in thousands of euros)

The balances of these liabilities are recognised in these consolidated financial statements at amortised cost, discounted at a rate of 5.12%. The breakdown of the amounts recorded at 31 December 2019 and 2018 and the estimated maturity date is as follows:

Item	Thousands of euros			
	Renta Corporación Real Estate, S.A.		Renta Corporación Real Estate ES, S.A.U.	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Current payables-	270	1,039	252	268
Non-current payables-				
2020	-	257	-	451
2021	342	325	493	462
2022	325	310	16,966	15,903
2023	26	24	6	235
2024	49	46	11	10
subsequent years	358	348	61	65
Total deferred payables	**1,370**	**2,349**	**17,789**	**17,394**

In 2019 the Parent settled the full outstanding nominal amount under the Singular Arrangement with the Spanish tax authorities arising from the VAT deferral agreement in the amount of EUR 769 thousand (see Note 16).

Other disclosures

In view of the business activities carried on by the Group, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements. However, the Group implements an active environmental policy in its urban development and real estate construction, maintenance and upkeep processes.

2. Basis of presentation of the consolidated financial statements

a) Basis of presentation

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, taking into account all the mandatory accounting principles and standards and measurement bases, and the Spanish Commercial Code, the Spanish Companies Law, the Spanish Securities Market Law and all other applicable Spanish corporate law, as well as the rules of the Spanish National Securities Market Commission (CNMV), and, accordingly, they present fairly the Renta Corporación Group's consolidated equity and consolidated financial position at 31 December 2019 and the consolidated results of its operations, the changes in consolidated equity and the consolidated cash flows in the year then ended.

The consolidated financial statements of Renta Corporación Real Estate, S.A. and Subsidiaries for the year ended 31 December 2019, which were obtained from the accounting records kept by the Parent and by the other companies composing the Group, were authorised for issue by the Parent's directors at the Board of Directors meeting held on 26 February 2020.

(Amounts in thousands of euros)

However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements at 31 December 2019 may differ from those used by certain Group companies, the required adjustments and reclassifications were made on consolidation to unify the principles and criteria used and to make them compliant with IFRS.

With a view to presenting the various items of the consolidated financial statements in a uniform manner, the accounting policies and measurement bases used by the Parent were applied to all the consolidated companies.

The Group's consolidated financial statements for the year ended 31 December 2018 were approved by the shareholders at the Annual General Meeting of the Parent on 11 April 2019 and were filed with the Barcelona Mercantile Register.

b) *Adoption of International Financial Reporting Standards*

The Renta Corporación Group's consolidated financial statements are presented in accordance with IFRS, pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002. In Spain, the requirement to present consolidated financial statements in accordance with IFRS as adopted in Europe is also regulated by Final Provision Eleven of Law 62/2003, of 30 December, on tax, administrative, labour and social security measures.

The principal accounting policies adopted by the Renta Corporación Group are set forth in Note 4.

Standards and interpretations applicable in 2019

In 2019 new accounting standards came into force, which, accordingly, were taken into account in the preparation of these consolidated financial statements. Such standards include:

New standards, amendments and interpretations		**Mandatory application in years beginning on or after:**
Approved for application in the EU:		
IFRS 16 – Leases (issued in January 2016)	It supersedes IAS 17 and its associated interpretations. The main new feature of IFRS 16 is the introduction of a single lessee accounting model in which all leases (with certain limited exceptions) with an impact similar to that of the existing finance leases (recognition of depreciation of the right-of-use asset and interest on the amortised cost of the lease liability) will be recognised in the balance sheet.	1 January 2019
Amendment to IFRS 9 – Prepayment Features with Negative Compensation (issued in October 2017)	It allows measurement at amortised cost of certain financial assets that may be put back to the issuer before maturity for an amount lower than the unpaid amounts of principal and interest.	1 January 2019

(Amounts in thousands of euros)

New standards, amendments and interpretations		**Mandatory application in years beginning on or after:**
Approved for application in the EU:		
IFRIC 23 – Uncertainty Over Income Tax Treatments (issued in June 2017)	This interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over whether the relevant taxation authority will accept a tax treatment used by an entity.	1 January 2019
Amendment to IAS 28 – Long-term Interests in Associates and Joint Ventures (issued in October 2017)	It clarifies that IFRS 9 should be applied to long-term interests in an associate or joint venture to which the equity method is not applied.	1 January 2019
Improvements to IFRS 3 – Business Combinations (issued in October 2017)	Acquisition of interest in a business previously registered as a joint operation.	1 January 2019
Amendment to IFRS 11 – Joint Arrangements (published in May 2017).	Acquisition of a joint interest in a joint operation that constitutes a business.	1 January 2019
Amendment to IAS 12 – Income Tax (issued in December 2017).	Recognition of the income tax consequences of payments on financial instruments classified as equity.	1 January 2019
Amendment to IAS 23 – Borrowing Costs (issued in December 2017).	Capitalisation of outstanding borrowing interest applied to an asset that is ready for use.	1 January 2019
Amendment to IAS 19 – Plan Amendment, Curtailment or Settlement (issued in February 2018)	It clarifies how to determine current service cost and net interest for the remainder of an annual reporting period.	1 January 2019

The Group has been applying the aforementioned standards, amendments and interpretations since they became effective on 1 January 2019, without their application having a significant effect on the accompanying consolidated financial statements. The following should be noted in connection with the principal standards that became effective in 2019:

IFRS 16 – Leases

IFRS 16 came into force in 2019 and has superseded IAS 17 and the associated interpretations. The main new feature of IFRS 16 is the introduction of a single lessee accounting model in which all leases (with certain limited exceptions) with an impact similar to that of the leases considered as finance leases under the previous standards (recognition of depreciation of the right-of-use asset and interest on the amortised cost of the lease liability) are recognised in the consolidated balance sheet.

For transition purposes, the Renta Corporación Group has decided to apply IFRS 16 retroactively, without restating the comparative information and recognising the cumulative effect of applying the standard directly to the consolidated equity at 1 January 2019. On this date a right-of-use asset was recognised measured as if the abovementioned standard had been applied since the start date of the relevant contract recorded by the Group under “Property, plant and equipment” in the accompanying consolidated balance sheet.

(Amounts in thousands of euros)

The application of IFRS 16 resulted in the recognition of a right-of-use asset on 1 January 2019 in the amount of EUR 1,277 thousand and of a financial liability of EUR 1,404 thousand, as well as an impact on equity of EUR 127 thousand.

Standards and interpretations issued but not yet in force –

At the date of preparation of these consolidated financial statements, the following standards and interpretations had been published by the IASB but had not yet come into force, either because their effective date is subsequent to the date of the consolidated financial statements or because they had not yet been adopted by the European Union.

New standards, amendments and interpretations		Mandatory application in years beginning on or after:
Approved for application in the EU:		
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (issued in September 2019)	Amendments to IFRS 9, IAS 39 and IFRS 7 relating to the Interest Rate Benchmark Reform.	1 January 2020
Amendment to IAS 1 and IAS 8: Definition of "materiality" (issued in October 2018)	Amendments to IAS 1 and IAS 8 to align the definition of "materiality" with the definition contained in the conceptual framework.	1 January 2020

New standards, amendments and interpretations		Mandatory application in years beginning on or after:
Not approved for application in the EU:		
IFRS 17 – Insurance Contracts (issued in May 2017)	It supersedes IFRS 4 and sets out principles for the recognition, measurement, presentation and disclosure of insurance contracts issued to ensure that entities provide relevant and reliable information that gives a basis for users of the information to assess the effect that contracts have on the financial statements.	1 January 2021 (1)
Amendment to IFRS 3 – Business Definition (issued in October 2018)	Clarifications of the definition of a business.	1 January 2020
Amendment to IAS 1: Presentation of Financial Statements – Classification of Liabilities as Current and Non-current (issued on 23 January 2020)	Presentation of Financial Statements – Classification of Liabilities as Current and Non-current.	1 January 2020

(1) The IASB has proposed its postponement until 1 January 2022 (IFRS 7 Draft Amendment issued on 26 June 2019).

The application of new standards, amendments and interpretations will be considered by the Group once they have been ratified and adopted, as the case may be, by the European Union. In any case, the Parent's directors have assessed the potential impact of applying these standards in the future and consider that their entry into force will not have a material effect on the Group's consolidated financial statements.

c) Functional currency

These consolidated financial statements are presented in the Group's functional currency, the euro, since this is the currency of the main economic area where the Group operates.

d) Responsibility for the information and use of accounting estimates and judgements

The information in these consolidated financial statements is the responsibility of the Parent's directors. Estimates were made by the Parent's management based on objective information in order to quantify certain assets, liabilities, income, expenses and obligations reported herein. Said estimates and criteria relate to:

- The assessment of the use of the going concern basis of accounting (see Note 2-j).

- The useful life of intangible assets, property, plant and equipment and rights of use (see Notes 4-a, 4-b and 2-b).

- The fair value of the investment property (see Note 7). This fair value was obtained from the appraisal conducted by an independent valuer at 31 December 2019 applying the methods described in Note 4-d.

- The measurement and impairment of inventories (see Note 4-g).

- The estimate of the appropriate allowances for doubtful debts (see Note 4-h).

- The recoverability of tax loss carryforwards and deferred tax assets recognised in the consolidated balance sheet (see Notes 4-n and 16).

- The assessment of lawsuits, obligations and contingent assets and liabilities at year-end (see Note 4-l).

Although these estimates were made on the basis of the best information available upon preparing these consolidated financial statements, events that may take place in the future might make it necessary to change these estimates (upwards or downwards). Changes in accounting estimates would be applied prospectively, recognising the effects of the change in estimates in the related consolidated statement of profit or loss.

e) Basis of consolidation

The accompanying consolidated financial statements were prepared from the accounting records of Renta Corporación Real Estate, S.A. and of the companies controlled by it, whose financial statements were prepared by the directors of each company.

The criteria used to determine the consolidation method applicable to each Renta Corporación Group company were as follows:

Subsidiaries –

Subsidiaries are the entities over which the Group directly or indirectly controls the financial and operating policies, exercises power over the relevant activities, maintains exposure, or rights, to variable returns from involvement with the investee; and has the ability to use power over the investee to affect the amount of the investor's returns. This is generally because it holds more than 50% of the voting rights. Also, in order to assess whether the Group controls another entity, it is evaluated whether it has power over the investee; exposure, or rights, to variable returns from involvement with the investee; and the ability to use power over the investee to affect the amount of the investor's returns. When assessing whether the Group controls another entity, the existence and effect of potential voting rights are considered. These include those held both by the Parent and by third parties, provided that those rights are substantive. The subsidiaries are consolidated from the date on which control is transferred to the Group and are excluded from consolidation on the date that control ceases to exist.

The financial statements of the subsidiaries are fully consolidated with those of the Parent. Where necessary, the financial statements of the subsidiaries are adjusted so that the accounting policies used are the same as those applied by the Group's Parent.

The results of subsidiaries acquired during the year are included in the consolidated statement of profit or loss from the date of acquisition to year-end. Similarly, the results of subsidiaries disposed of during the year are included in the consolidated statement of profit or loss from the beginning of the year to the date of disposal.

Were the Group to have non-controlling interests, the share of those interests in the items indicated below would be accounted for as follows:

- The equity of their investees is presented in the Group's equity under “Non-controlling interests” in the consolidated balance sheet. Any losses applicable to the non-controlling interests in excess of the carrying amount of such non-controlling interests are recognised with a charge to the Parent's investments.

- The profit/loss for the year is presented under “Profit/Loss attributable to non-controlling interests” in the accompanying consolidated statement of profit or loss.

All the accounts receivable and payable and other transactions between the consolidated companies were eliminated on consolidation.

Lastly, these consolidated financial statements do not include the tax effect that may arise as a result of including the results and reserves of the subsidiaries in the Parent’s equity since, pursuant to IAS 12, it is considered that no transfers of reserves giving rise to additional taxation will be made. Since the Parent controls the timing of distribution, it is not likely that such distribution will occur in the foreseeable future, but rather that the results and reserves will be used as financing resources at each company.

Joint ventures –

A joint venture is a contractual arrangement whereby two or more companies have interests in entities (jointly controlled entities) or undertake joint operations or hold assets; therefore, any strategic financial and operating decisions affecting the joint venture require the unanimous consent of the venturers. As a result of applying IFRS 11 –Joint Arrangements–, the Group accounts for investments in jointly controlled entities using the equity method, which are recognised under “Non-current investments in group companies and associates" in the accompanying consolidated balance sheet. The share in the after-tax profit or loss of these companies is recognised under “Result of companies accounted for using the equity method” in the accompanying consolidated statement of profit or loss.

Should an associate incur losses resulting in negative equity, the investment should be presented in the Group’s consolidated balance sheet at zero value, unless the Group is obliged to give it financial support.

The tax effect that may arise as a result of including the results and reserves of the joint ventures in the Parent's equity is not included in the accompanying consolidated financial statements since, pursuant to IAS 12, it is considered that no transfers of reserves giving rise to additional taxation will be made. Since the Parent controls the timing of distribution, it is not likely that such distribution will occur in the foreseeable future, but rather that the results and reserves will be used as financing resources at each company.

Appendices I and II show the main data relating to the subsidiaries and joint ventures, respectively, at 31 December 2019 and 2018.

f) Changes in the scope of consolidation

On 6 June 2019, the Parent formalised the incorporation of Linwork Properties SOCIMI, S.A.U. through 200,000 shares fully subscribed and paid in, with a par value of EUR 1 each. At the date of preparation of these consolidated financial statements, the abovementioned subsidiary was virtually dormant.

On 15 November and 19 November 2018 the sole liquidator of the investees Renta Corporación Real Estate OP, S.L.U. and Renta Corporación Inmuebles Residenciales SOCIMI, S.A.U. executed the public deeds of liquidation of both investees.

g) Comparative information

The information relating to 2019 contained in these notes to the consolidated financial statements is presented for comparison purposes with that relating to 2018.

h) Grouping of items

Certain items in the consolidated balance sheet, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows are grouped for better understanding, even though such information, when significant, has been itemised in the corresponding notes to the financial statements.

i) Correction of errors

In preparing the accompanying consolidated financial statements no significant errors were detected that would have made it necessary to restate the amounts included in the consolidated financial statements for 2018.

j) Financial position and going concern basis of accounting

On 26 February 2020, the Board of Directors approved the 2020-2024 strategic plan. In line with this plan, the Group will continue to develop its asset management business model, incorporating new leased asset management vehicles in non-residential segments.

The update of the strategic plan for 2020-2024 is based on the following:

- A context characterised by increased access to financing.

- A forward-looking approach aimed at strengthening the Group's market position while continuing its growth trend by means of the following:

  a) Improving the Group's operating margin by increasing the number of transactions and, in particular, the average scale thereof.

(Amounts in thousands of euros)

b) Maintaining cost control, adapting the structure to the expected level of activity and exploring the possibility of outsourcing certain services.

c) Expanding the business model through the incorporation of two new business lines engaging in the management of both Group and third-party assets for non-residential use. Both such lines will materialise through external vehicles, which will guarantee a greater and more regular source of income.

The aforementioned strategic plan also guarantees fulfilment of the debt repayment obligations under the Arrangement with Creditors entered into in the insolvency proceedings (see Note 1).

The strategic plan envisages the generation of future profits and cash flows that will enable the Group to continue as a going concern. The Group does not have any restrictions on its operating or financial policies as a result of contracts entered into, including the proposed Arrangement with Creditors approved on 8 July 2014. The Group enjoys complete freedom in performing the business activities making up its corporate purpose.

As a result of all the foregoing, these consolidated financial statements were prepared in accordance with the going concern basis of accounting.

3. Distribution of the Parent's profit

The proposed distribution of the profit of the Parent Renta Corporación Real Estate, S.A. for 2019 that the Parent's directors will submit for approval by the shareholders at the Annual General Meeting is as follows:

	Thousands of euros
Profit for the year of the Parent	**17,768**
Interim dividend out of profit for the year	1,200
Final dividend	2,100
Offset of prior years' losses	14,468
Total distributed	**17,768**

On account of this proposed distribution of profit, the Parent's Board of Directors, at its meeting on 23 October 2019, approved the distribution of an interim dividend in the gross amount of EUR 0.037280824 per share, which was fully paid on 15 November 2019.

Below is the provisional accounting statement of the Parent at 30 September 2019 prepared by the directors on 23 October 2019 in accordance with the legal requirements set out in Article 277 of the Spanish Companies Law, evidencing the existence of sufficient liquidity for the distribution of the interim dividend:

(Amounts in thousands of euros)

	Thousands of euros
Cash and cash equivalents and Current financial investments	11,451
Inventories realisable at short term	22,920
Other trade receivables	6,528
Current liabilities	(27,408)
Interim dividend	(1,200)
Projected cash after dividends	**12,291**

Also, the EUR 1,200 thousand distributed did not exceed at that date the result of deducting three items from the profits earned: prior years' losses, amounts that must be appropriated to mandatory legal or bylaw reserves, and an estimate of the income tax payable on such profits. In this regard:

	Thousands of euros
Share capital	32,888
Legal reserve (which has reached the legally required minimum)	6,578
Distributable reserves	23,238
Profit for the period	2,901
Total equity	**65,605**
Interim dividend	**1,200**

Also, it will be proposed to the shareholders at the Annual General Meeting that the payment of a final dividend totalling EUR 2,100 thousand be approved.

4. Accounting policies

The principal accounting policies used in preparing these consolidated financial statements, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the interpretations in force when the consolidated financial statements were prepared, were as follows:

a) Intangible assets

Intangible assets are recognised initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses.

They can have an "indefinite useful life" –when, based on an analysis of all the relevant factors, it is concluded that there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the consolidated companies–, or a "finite useful life", in all other cases.

Intangible assets with indefinite useful lives are not amortised; rather, at the end of each reporting period, the consolidated companies review the remaining useful lives of the assets in order to ensure that they continue to be indefinite or, if this is not the case, to take the appropriate steps.

Intangible assets with finite useful lives are amortised over those useful lives using methods similar to those applied to depreciate property, plant and equipment.

Computer software –

The Group recognises under this caption the costs incurred in the acquisition and development of computer software. Computer software maintenance costs are charged to the consolidated statement of profit or loss for the reporting period in which they are incurred. Computer software is amortised on a straight- line basis over a four-year period.

b) Property, plant and equipment

Property, plant and equipment are recognised initially at acquisition or production cost.

Replacements or renewals of complete items that lead to a lengthening of the useful life of the assets or to an increase in their economic capacity are recognised as additions to property, plant and equipment, and the items replaced or renewed are derecognised.

Periodic maintenance, upkeep and repair expenses are recognised in profit or loss on an accrual basis as incurred.

Work performed by the Group companies on their own property, plant and equipment is recognised at accumulated cost (external costs plus in-house costs, determined on the basis of in-house consumption of warehouse materials and manufacturing costs allocated applying hourly absorption rates similar to those used for the measurement of inventories). The costs capitalised in this connection are deducted from "Changes in inventories of buildings acquired for refurbishment and/or conversion" in the accompanying consolidated statement of profit or loss.

Depreciation is calculated, using the straight-line method, on the basis of the acquisition cost of the assets less their residual value; the land on which the buildings and other structures stand has an indefinite useful life and, therefore, is not depreciated.

The period property, plant and equipment depreciation charge is recognised in the consolidated statement of profit or loss and is based on the application of depreciation rates determined on the basis of the years of estimated useful life.

The detail of the average useful lives of the Group’s various items of property, plant and equipment is as follows:

	Depreciation rate
Facilities and furniture	10%
Computer hardware	25%
Other items of property, plant and equipment	10-16%

The Parent’s directors consider that the carrying amount of these assets is not lower than their recoverable amount, which is calculated on the basis of the discounted future cash flows that the assets will generate.

Gains or losses arising from the disposal or derecognition of an asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in the consolidated statement of profit or loss.

c) Impairment of intangible assets and property, plant and equipment

The Group reviews the carrying amounts of its property, plant and equipment and intangible assets annually to determine whether there is any indication that those assets might have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset itself does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Intangible assets with indefinite useful lives or those for which amortisation has not commenced are tested for impairment at least at each year-end and, in any case, prior to year-end if there are any indications of impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted at their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be lower than its carrying amount, the carrying amount of the asset or the cash-generating unit is reduced to its recoverable amount. Then an impairment loss is immediately recognised as an expense.

Where an impairment loss subsequently reverses, the carrying amount of the asset or the cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or the cash-generating unit in prior years. A reversal of an impairment loss is recognised as income immediately, up to the aforementioned limit.

d) Investment property

“Investment property” in the consolidated balance sheet reflects the values of the land, buildings and other structures held to earn rentals.

Investment property is stated at its fair value at the closing of the reporting period and is not depreciated. Gains or losses arising from changes in the fair value of investment property are included in the profit or loss for the period in which they arise and are recognised under “Changes in fair value of investment property” in the accompanying consolidated statement of profit or loss.

The Group determines the fair value of the investment property annually, in accordance with IAS 40. Fair value is determined by taking as reference values the appraisals performed by independent valuers at the date of preparation of the consolidated balance sheet and, accordingly, at the end of each reporting period the fair value reflects the market conditions of the investment property at that date.

Investment property was valued in accordance with the methods and principles of the Royal Institution of Chartered Surveyors (UK) and in accordance with generally accepted valuation principles. The valuations were carried out by the independent valuation company Accode Business Influencers, S.L. in 2019 and in 2018.

The methodology used to determine the fair value of the Group’s investment property in 2019 and 2018 was the discounted cash flow (“DCF”) method. Unless the specific characteristics of an investment suggest otherwise, the DCF method is applied over a 50-year time horizon, in accordance with standard market practice.

Cash flows are extrapolated over the period covered by the study on a month-to-month basis in order to reflect increases in the CPI and the timing of rent revisions, lease expiries, etc.

Generally accepted forecasts are used for CPI increases. Since the valuer does not know with certainty whether there will be future periods in which the properties will be vacant, or the length of such periods, their projections are based on the quality and location of the building, and generally adopt an average lease period, if they do not have information on the future intentions of each tenant.

The final rate of return or final capitalisation rate used in each case refers not only to the expected market conditions at the end of each cash flow period, but also to the expected lease terms and conditions and the physical condition of the property, taking into account any planned improvements to the property and included in the analysis. Regular market discount rates are used.

The properties were valued on a case-by-case basis, considering each of the leases in force at year-end. The buildings with areas that are vacant were valued on the basis of the estimated future rent, less a period for the marketing of the vacant areas.

The key variables in the aforementioned approach are the determination of net revenue, the period of time over which the revenue is discounted, the value estimate used at the end of each period and the objective internal rate of return used to discount the cash flows. The estimated yields depend mainly on the type and age of the properties and their location, on the technical quality of the asset, on the tenant profile and on the occupancy rate, among others.

In particular, the main assumptions considered were:

- Net rent revenue, after deducting all expenses payable by the Group.

- Discount rate: A standard market rate of 5% is applied for this type of investment property.

- An annual inflation rate of 2% is considered.

- Time horizon: Projections are made for a 50-year period, considering the overall (non-structural) refurbishment of the asset after 30 years.

- On completion of the study a residual value of the building is considered based on its revised present value with an inflation rate of 2% and a discount rate of 5%.

- Unit by unit, in each asset, the following were analysed:

    a) For unsubsidised housing units, a market rent is applied with a marketing period of three months.

    b) For housing units tied to a contract, the current rent has been taken into account until the end thereof, applying market rentals thereafter with a marketing period of three months.

    c) For housing units with indefinite contracts, the following were analysed on a unit-by-unit basis:

        - Possible subrogations were considered, taking as the end date of the contract the last possible subrogation.

(Amounts in thousands of euros)

- The date on which the last subrogated person reaches the life expectancy age in Spain (80 years for men and 85 years for women) was considered as the date on which the housing unit becomes tenant-free.

- Once the housing unit has become tenant-free, a major refurbishment is considered (including bathrooms, kitchen, sewerage, painting and replacement of exterior and interior carpentry).

- It is marketed at market rentals, with a marketing period of three months.

The sensitivity analysis is shown below, taking into consideration the variables that can have the greatest impact on the valuation of the investment property, such as rent revenue and the discount rate.

For the Rent Revenue variable a range between +5% and -5% is considered, given the emerging recovery of the real estate market. For the Discount Rate variable, the range used was +/- 0.5%, this being the potential variance in Spanish GDP growth for 2020.

The detail of the parameters used at 31 December 2019 is as follows:

2019		**Rent revenue**			**Discount rate**		
Type	**Fair value (1)**	**-5.0%**	**+5.0%**	**% Impairment**	**-0.5%**	**+0.5%**	**% Impairment**
Investment property	23,578	(811)	802	3.44%	3,525	(2,933)	12.44%
Total	**23,578**	**(811)**	**802**	**3.44%**	**3,525**	**(2,933)**	**12.44%**

(1) Fair value based on a report by Accode Business Influencers, S.L. of 31 December 2019.

The foregoing sensitivity analysis shows that the maximum potential impairment in 2019, taking into account the unrealised gains on various assets, would be approximately EUR 811 thousand for a fall in rent revenue of 5%, which would result in a total impairment of 3.44% on the fair value of the assets. On the other hand, an increase of 0.5% in the discount rate would imply an impairment loss of EUR 2,933 thousand, representing 12.44% of the total fair value at 31 December 2019.

The detail of the parameters used at 31 December 2018 is as follows:

2018		**Rent revenue**			**Discount rate**		
Type	**Fair value (1)**	**-5.0%**	**+5.0%**	**% Impairment**	**-0.5%**	**+0.5%**	**% Impairment**
Investment property	21,660	(665)	740	3.07%	3,180	(2,525)	11.66%
Total	**21,660**	**(665)**	**740**	**3.07%**	**3,180**	**(2,525)**	**11.66%**

(1) Fair value based on a report by Accode Business Influencers, S.L. of 31 December 2018.

The foregoing sensitivity analysis shows that the maximum potential impairment in 2018, taking into account the unrealised gains on various assets, would have been approximately EUR 665 thousand for a fall in rent revenue of 5%, which would have resulted in a total impairment of 3.07% on the fair value of the assets. On the other hand, an increase of 0.5% in the discount rate would have implied an impairment loss of EUR 2,525 thousand, representing 11.66% of the total fair value at 31 December 2018.

The revenue earned in 2019 and 2018 from the investment property leases amounted to EUR 1,507 thousand and EUR 840 thousand (see Note 17), respectively, and is recognised under "Revenue" in the accompanying consolidated statement of profit or loss.

e) Rights of use

Lease contracts are accounted for based on IFRS 16. Pursuant to IFRS 16, except for those contracts referring to a low-value asset or with a term of one year or less, the tenant must:

1. Recognise the financial liability at the current value of the fixed payments to be made over the lease period, discounted at the lease implicit rate. If this rate cannot be determined easily, the Group applies its incremental borrowing rate.

2. Recognise an asset in the consolidated balance sheet on account of the corresponding asset right-of-use, the value of which will be established taking into account the amount of the related financial liability, plus any direct costs incurred in performing the contract, any down payments made and any future dismantling costs.

3. Recognise in the consolidated statement of profit or loss the amortisation charge of the recognised asset and the annual financial burden derived from the financial liability (these two components in combination show the lease expense associated to fixed payments in the consolidated statement of profit or loss). The useful life of these assets is determined according to the duration or valid term of the relevant lease agreements.

4. Recognise, both in the consolidated balance sheet and the consolidated statement of profit or loss, the tax effect resulting from the current difference between IFRS 16 principles and those applied for tax purposes.

Should the lease agreements be part of a business combination, the lease liability will be measured at the current value of the remaining lease payments, as if the lease acquired were a new lease on the business acquisition date. The right-of-use asset will be recognised for the same amount as the lease liability, and adjusted to evidence the lease favourable or unfavourable economic conditions compared to the market conditions.

Right-of-use assets will undergo the corresponding impairment tests, similarly to the remaining assets with a finite useful life.

As for the statement of cash flows, payments in cash on account of principal of the lease liability will be classified within the scope of the financing activities.

f) Financial instruments

Financial assets and liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

The measurement bases applied by the Group to its financial instruments in 2019 and 2018 were as follows:

Financial assets −

Initial recognition −

Financial assets are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs.

Classification and subsequent measurement −

The Group classifies its financial assets by valuation category, which is determined on the basis of the business model and the characteristics of the contractual cash flows. Financial assets are classified on initial recognition into the following categories:

1. Financial assets at amortised cost: Debt instruments held within a business model geared to collecting contractual cash flows that are solely payments of principal and interest. They are usually carried at amortised cost.

2. Debt instruments classified at fair value through other comprehensive income: When these debt instruments are held within a business model whose purpose is achieved by both collecting contractual cash flows (payments of principal and interest) and selling financial assets, they are, in general, measured at fair value through other comprehensive income.

3. Equity instruments at fair value through other comprehensive income: these are equity instruments for which the Group makes an irrevocable decision to present subsequent changes in fair value in other comprehensive income, with the exception of dividends on such investments, which will be recognised in profit or loss for the period. Therefore, no impairment losses are recognised in profit or loss and no gains or losses are reclassified to the consolidated statement of profit or loss on disposal.

4. Financial assets at fair value through profit or loss: debt and equity instruments that do not meet the conditions for being classified under any of the aforementioned categories are measured at fair value through profit or loss.

A financial asset is derecognised when the contractual rights to the cash flows therefrom expire or have been transferred and all the risks and rewards of ownership of the financial asset have also been transferred substantially. Financial assets are not derecognised, and a financial liability is recognised for an amount equal to the consideration received, in transfers of financial assets in which the risks and rewards of ownership are retained.

Impairment of financial assets is based on the expected loss model. The Group updates the expected loss and the changes therein at each reporting date to reflect the changes in credit risk since initial recognition, without waiting for an impairment event to occur.

The Group applies the general expected credit loss recognition approach for financial assets, except for trade receivables and other receivables without a significant financing component, for which it applies the simplified expected loss approach. In this context, the Group uses a provision matrix for the calculation of expected credit losses on trade receivables based on its historical credit loss experience, adjusted as appropriate in accordance with the standard in force to estimate the credit losses on its accounts receivable. The historical information obtained is adjusted considering market variables and the forecasts relating thereto at the calculation date.

***Financial liabilities* –**

All financial liabilities are measured at amortised cost using the effective interest method or as financial liabilities at fair value through profit or loss.

Financial liabilities subsequently measured at amortised cost –

Borrowings are initially recognised at fair value adjusted by directly attributable transaction costs. Any difference between the amount received and its repayment value is recognised in the consolidated statement of profit or loss over the repayment period of the borrowings, using the effective interest method, classifying the financial liabilities as subsequently measured at amortised cost.

The effective interest rate is used to calculate the amortised cost of a financial liability and in the allocation of the interest expense over the expected life of the financial liability at amortised cost. The effective interest rate is the rate that exactly discounts estimated future cash payments (including transaction costs) through the expected life of the financial liability or, where appropriate, a shorter period.

Current trade and other payables are current financial liabilities that are initially recognised at fair value, do not bear explicit interest and are recognised at their nominal value. Non-current payables are considered to be those that mature within more than 12 months.

Financial liabilities at fair value through profit or loss –

Financial liabilities are classified at fair value through profit or loss when they relate mainly to financial liabilities held for trading. Derivatives are considered to be in this category unless they are designated as hedging instruments.

Financial liabilities at fair value through profit or loss are measured at fair value, and any gain or loss arising from changes in their fair value are recognised in the consolidated statement of profit or loss.

Financial liabilities are derecognised when the obligations giving rise to them cease to exist. Also, an exchange between the Group and a third party of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the original financial liability and the consideration paid, including any attributable transaction costs, is recognised in the consolidated statement of profit or loss.

The Group considers that the terms and conditions of the financial liabilities are substantially different if the discounted present value of the cash flows under the new terms and conditions, including any fees and commissions paid net of any fees and commissions received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

Changes in the contractual cash flows of a financial liability not leading to its derecognition must be recognised in the consolidated balance sheet as a change in estimate of the contractual cash flows of the liability, maintaining the original effective interest rate and adjusting its carrying amount at the date of the change and recording the difference in the consolidated statement of profit or loss.

***Equity instruments* –**

Equity instruments represent a residual ownership in the Parent’s equity net of liabilities.

Capital instruments issued by the Parent are recorded in equity at the amount received, net of issue expenses.

Treasury shares of the Parent acquired during the year are recognised directly as a reduction of equity by the amount of the consideration paid in exchange for them. Gains and losses on the acquisition, sale, issue or retirement of treasury shares are recognised directly in equity and in no case are they recognised in the consolidated statement of profit or loss for the year.

g) Inventories

Inventories, consisting of property developments in progress and completed properties, are measured at acquisition or construction cost. Execution costs include direct and indirect costs necessary for construction, as well as the finance costs incurred in financing works in the course of construction, but only if lasting for more than a year.

In 2019 the Group capitalised borrowing costs amounting to EUR 253 thousand (2018: EUR 618 thousand).

Any advanced delivery resulting from purchase options in force are recognised as inventory advances, and are based on fulfilment of the conditions rendering them enforceable. The acquisition of purchase option rights on properties is the Group's usual way of implementing the first stage of the process of acquiring properties for inventories, prior to the formalisation of the deed of sale itself.

The Group recognises the appropriate inventory write-downs if the net realisable value of the inventories is lower than their carrying amount. Impairment losses arising after recognition of inventories are recognised in the consolidated statement of profit or loss. When the net realisable value exceeds the carrying amount, the Group recognises the difference in the consolidated statement of profit or loss as income from the reversal of impairment losses up to the limit of the amount of accumulated impairment on initial recognition of the asset.

The Group determines the net realisable value of its inventories periodically through internally performed valuations. The in-house valuations are performed taking into consideration the estimated selling price in the normal course of business less the applicable variable costs of disposal. The market prices of the properties in each location are analysed, as well as the main costs of disposal, which consist mainly of fees and commissions that are agreed upon for each property. External appraisals were performed in accordance with the methods and principles of the Royal Institution of Chartered Surveyors (UK) and in accordance with generally accepted valuation principles. The valuations were carried out by the independent valuation company Accode Business Influencers, S.L. in 2019 and in 2018.

In particular, the valuation methodology applied to land was the dynamic residual method, which consists in determining the future selling price of completed products discounting flows to present value, subtracting all urban development, promotion, marketing and borrowing costs as they are incurred.

Their classification as current assets is made taking into account the average operating period determined for each business segment, which is normally less than one year. The financing associated with these inventories is classified on the basis of these inventories (see Note 4-k).

h) Accounts receivable

Accounts receivable are measured at their recoverable amount, i.e., net, where applicable, of the allowances recognised to cover the balances past due by a certain period of time when the prevailing circumstances reasonably enable the receivables to be classified as doubtful debts. At 31 December 2019 and 2018, there were no balances with default risk for which provisions had not been recognised.

i) Functional currency

These consolidated financial statements are stated in euros, since this is the functional currency of the main economic environment where the Group operates.

j) Cash and cash equivalents

This caption includes the balances held in bank accounts, which are measured at cost or market value, whichever the lower.

In addition, a financial investment that can be easily converted into a specified amount of cash and that is not subject to a significant risk of changes in its value is considered to be a cash equivalent.

Bank overdrafts are not deemed to be components of cash and cash equivalents.

k) Current / Non-current classification

The normal operating cycle is the time between the acquisition of assets for inclusion in the various property developments and the realisation of the related goods in the form of cash or cash equivalents.

In the accompanying consolidated balance sheet, assets and liabilities maturing within no more than 12 months are classified as current items whereas those maturing within more than 12 months are classified as non-current items, except for inventories, which are classified as current assets since they are realised during the Group's normal operating cycle. The liabilities associated with these assets are classified as current liabilities, regardless of whether they mature in the short or long term. Bank borrowings are classified as "non-current", if Group has an irrevocable capacity to meet these obligations within more than 12 months as from the end of the reporting period.

l) Provisions and contingent liabilities

When preparing the consolidated financial statements the Parent's directors made a distinction between:

- Provisions: credit balances covering obligations arising from past events which could give rise to a loss for the Group companies, which is certain as to its nature but uncertain as to its amount and/or timing.

- Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the consolidated companies.

Provisions, which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year, are used to address the specific and potential risks for which they were originally recognised. Provisions are fully or partially reversed when such risks cease to exist or are reduced.

The provisions recognised relate to the estimated amounts required to address potential or actual liabilities arising from litigation in process, indemnity payments or other liabilities derived from the Group's business activities that will lead to future payments, which were measured on the basis of the information currently available. These provisions are recognised when the third-party liability or obligation giving rise to the indemnity or payment arises, taking into consideration the other conditions established by IFRS.

Third party compensation received upon settling an obligation, provided such reimbursement is to be received, is recorded as an asset, except in case of a legal bond whereby part of the risk was externalised, and for which the Group is not liable. In such a situation, the compensation should be used to estimate the amount, if any, of the corresponding provision.

m) Employee benefits

Termination benefits –

According to current legislation, the Group is under the obligation to pay termination benefits to those employees whose employment relationship is terminated under specific conditions. Therefore, termination benefits that can be reasonably quantified are recognised as an expense in the year in which the decision to terminate the employment relationship is taken and a valid expectation has been created among third parties. At 31 December 2019 and 2018, the Group had not recognised any provisions in this connection.

Share-based payment –

At the reporting date the Parent had granted five share-based payment plans to employees and executives of the Renta Corporación Group, which were approved by the Extraordinary General Meeting held on 11 November 2014 and by the Board of Directors on 11 May 2016, 10 May 2017, 10 May 2018 and 9 May 2019, respectively (see Note 14).

The Parent has also granted two share-based payment plans to the CEO of the Renta Corporación Group, which was approved by the Extraordinary General Meeting on 11 November 2014 and by the Ordinary General Meeting on 11 April 2019 (see Note 14).

Furthermore, the Parent has also granted a share-based payment plan to key personnel of the Renta Corporación Group, which was approved by the Parent's Board of Directors on 27 February 2019 (see Note 14).

The Group recognises, on the one hand, the goods and services received as an asset or as an expense, depending on their nature when they are received, and, on the other, the related increase in equity, if the transaction is equity-settled, or the related liability if the transaction is settled with an amount based on the value of the equity instruments.

In the case of equity-settled transactions, both the services rendered and the increase in equity are measured at the fair value of the equity instruments granted, with reference to the grant date, which is the market price of the Parent's shares at the time the plan is agreed upon. However, in the case of cash-settled share-based payments, the goods and services received and the related liability are recognised at the fair value of the latter, with reference to the date on which the requirements for their recognition are met.

n) Income tax

The expense or revenue for income tax includes the portion that refers to the expense or revenue arising from any current taxes and the portion corresponding to the expense or revenue arising from any deferred taxes.

The current tax expense is the amount paid by the Group on account of income tax for a specific reporting period. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, as well as tax loss carryforwards from prior reporting periods which are effectively applied in the current period, reduce the current income tax.

The deferred tax expense or income corresponds to the recognition and derecognition of deferred tax assets or liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled. Based on the nature of the deferred tax assets and liabilities, the Group has determined that these taxes should be presented in the accompanying consolidated balance sheet at their net balance.

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

"Deferred tax assets" includes the deferred and other tax assets that are expected to be recovered and/or deducted in a period of over 12 months (see Note 16).

The assets and liabilities for deferred taxes, arising from transactions with direct debits or credits to equity accounts are also booked with a balancing entry under equity.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made if doubt exists as to their future recoverability. At each reporting date, the deferred tax assets not recognised in the accompanying consolidated balance sheet are assessed and recognised to the extent that their recovery against future taxable profits becomes probable, and the Group companies establish a finite time horizon for their recovery on the basis of the best estimates made (see Note 16).

As a result of the Group filing a petition for voluntary insolvency proceedings on 19 March 2013 (see Note 1), the Group lost the right to file consolidated income tax returns and consolidated VAT returns and, accordingly, the Group companies began to file individual tax returns.

o) Income and expenses

General criteria –

Revenue from contracts with customers must be recognised as the performance obligations in each contract are satisfied.

Revenue depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for such goods or services.

Revenue recognition involves five steps:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies each performance obligation.

In this connection, revenue is recognised as an entity satisfies the obligations, i.e., when the “control” of the goods or services underlying the obligation in question is transferred to the customer.

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset to that asset’s carrying amount.

Dividend income from investments is recognised when the shareholders’ rights to receive payment have been established, i.e., when the Annual General Meetings (of shareholders/members) of the investees approve the distribution of the related dividends.

Sale of properties –

Sales of properties are recognised when the ownership of the asset is transferred, i.e., when the public deed of sale of the property is executed, provided the control of the property has been transferred to the buyer.

Services –

The Group renders advisory services in connection with both the sale and acquisition of real estate assets such as flats, buildings and land, and receives revenue from the lease of its own properties and from the advisory services provided. However, since the Group’s main activity is the acquisition of assets for conversion and subsequent sale, and not for asset-management business purposes, the Group does not classify as investment property intended for sale in the ordinary course of business or in the process of construction or development for such sale, for example, property acquired exclusively with a view to subsequent disposal in the near future or for development and resale.

Revenue from contracts arising from the provision of rental services is recognised at the rates stipulated in the contract and on a straight-line basis over the term of the contract.

Revenue from advisory services is based on estimates of the time and expenses incurred by the Group to provide these services, including a margin. All these services are provided at an arm’s length price.

p) Consolidated statement of cash flows (indirect method)

The following terms are used in the consolidated statement of cash flows with the meanings specified below:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term highly liquid investments with an insignificant risk of changes in value.

- Operating activities: the principal revenue-generating activities of the Group companies and other activities that are not investing or financing activities.

- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that result in changes in the size and structure of the equity and liabilities that are not operating activities.

q) Transactions with related companies

The Group conducts all transactions with related parties on an arm's length basis. Also, the transfer prices are adequately supported and, therefore, the Parent's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

r) Environmental information

Expenses derived from corporate actions aimed at protecting and improving the environment are recognised as expenses in the period in which they are incurred.

When said expenses require additions to property, plant and equipment in order to minimise environmental impact and protect and improve the environment, they will be recognised as the greater value of the asset.

s) Fair value hierarchy

Fair value measurements of assets and liabilities are classified according to the following hierarchy established in IFRS 7 and IFRS 13:

- Level 1: Inputs are based on unadjusted quoted prices in active markets for identical assets or liabilities.

- Level 2: Inputs are based on quoted prices for similar instruments in active markets, not included in Level 1, quoted prices for identical or similar assets or liabilities in markets that are not active, and techniques based on valuation models for which all the significant inputs are observable in the market or may be corroborated by observable market data.

- Level 3: Inputs are generally unobservable and, in general terms, they reflect estimates of the market assumptions for determining the price of the asset or liability. The unobservable data used in the valuation models are significant inputs in measuring the fair values of the assets and liabilities.

31 December 2019

	Thousands of euros		
	Level 1	Level 2	Level 3
Investment property	-	-	23,578
Total assets	**-**	**-**	**23,578**

31 December 2018

	Thousands of euros		
	Level 1	Level 2	Level 3
Investment property	-	-	21,660
Total assets	**-**	**-**	**21,660**

5. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss attributable to the Parent, after tax and non-controlling interests, by the weighted average number of shares during that period.

Diluted earnings per share are calculated using a method similar to that applied to calculate basic earnings per share, but the weighted average number of shares outstanding is adjusted to take into account the potential dilutive effect of the convertible debt instruments in force at year-end. At 31 December 2019 and 2018, there were no obligations pending conversion into shares of the Parent.

	Thousands of euros	
	31 December 2019	31 December 2018
Consolidated profit for the year attributable to the shareholders of the Parent:	**17,115**	**16,608**
- from continuing operations	17,115	16,608
	No. of shares	No. of shares
Average number of ordinary shares (in thousands) (*)	32,168	32,123
Average number of ordinary dilutive shares (in thousands) (*)	32,168	32,123
	Euros	Euros
Basic and diluted earnings per share:	**0.53**	**0.52**
- from continuing operations	0.53	0.52

(*) Pursuant to current standards, treasury shares are not included in this calculation.

6. Segment reporting

Based on its business plan, the Group divides its activities into two business units: Transaction Management and Asset Management (see Note 1).

- Transaction management refers to all the properties for which, in the normal course of the Group's operations, it performs a purchase and sale transaction or provides a service.

- Asset management relates to properties managed by the Group from which returns are obtained, or to the management of properties on behalf of third parties.

For the purposes of geographical segments, the Group operates exclusively in the Spanish market, focusing its operations essentially on Madrid and Barcelona.

The segment information on these activities for the consolidated balance sheet and consolidated statement of profit or loss headings for 2019 and 2018 is as follows (in thousands of euros):

(Amounts in thousands of euros)

2019

	Transaction management	Asset management	Not allocable	Total
Intangible assets, property, plant and equipment, rights of use and investment property	-	23,578	1,684	25,262
Investments in Group companies and associates	-	-	-	-
Non-current financial assets	-	20,909	113	21,022
Deferred tax assets	-	-	27,055	27,055
TOTAL NON-CURRENT ASSETS	-	**44,487**	**28,852**	**73,339**
Inventories	88,308	-	-	88,308
Trade and other payables	8,912	684	1,076	10,672
Current financial assets	320	46	6	372
Cash	-	-	5,353	5,353
TOTAL CURRENT ASSETS	**97,540**	**730**	**6,435**	**104,705**
TOTAL ASSETS	**97,540**	**45,217**	**35,287**	**178,044**
EQUITY	-	-	**75,841**	**75,841**
Non-current payables	-	6,163	33,359	39,522
Other non-current accounts payable to public authorities	-	-	2,536	2,536
Deferred tax liabilities	-	2,178	98	2,276
TOTAL NON-CURRENT LIABILITIES	-	**8,341**	**35,993**	**44,334**
Current payables	34,267	330	12,985	47,582
Trade and other payables	7,518	335	2,434	10,287
TOTAL CURRENT LIABILITIES	**41,785**	**665**	**15,419**	**57,869**
TOTAL EQUITY AND LIABILITIES	**41,785**	**9,006**	**127,253**	**178,044**

	Transaction management	Asset management	Not allocable	Total
CONTINUING OPERATIONS:				
Revenue	77,360	12,190	-	89,550
Other operating income	-	578	-	578
Changes in inventories of buildings acquired for refurbishment and/or conversion	(54,555)	-	-	(54,555)
Staff costs	(4,895)	(999)	(257)	(6,151)
Other operating expenses	(2,970)	(4,754)	(2,565)	(10,289)
Depreciation and amortisation charge	(14)	-	(286)	(300)
Consolidated profit from operations	**14,926**	**7,015**	**(3,108)**	**18,833**
Changes in fair value of investment property	-	1,899	-	1,899
Finance income	6	-	43	49
Finance costs	(950)	(246)	(2,395)	(3,591)
Impairment and gains or losses on disposals of financial instruments	6	-	-	6
Consolidated profit before tax	**13,988**	**8,668**	**(5,460)**	**17,196**
Income tax	-	-	(81)	(81)
Consolidated profit for the year	**13,988**	**8,668**	**(5,541)**	**17,115**

	Property sales	Real estate project management	Asset management and other	Total
Revenue	68,896	8,464	12,190	89,550

(Amounts in thousands of euros)

2018

	Transaction management	Asset management	Not allocable	Total
Intangible assets, property, plant and equipment, rights of use and investment property	-	21,660	308	21,968
Investments in Group companies and associates	21	-	-	21
Non-current financial assets	-	12,817	98	12,915
Deferred tax assets	-	-	24,055	24,055
TOTAL NON-CURRENT ASSETS	**21**	**34,477**	**24,461**	**58,959**
Inventories	57,395	-	-	57,395
Trade and other payables	3,070	405	2,563	6,038
Current financial assets	41	57	-	98
Cash	-	-	8,725	8,725
TOTAL CURRENT ASSETS	**60,506**	**462**	**11,288**	**72,256**
TOTAL ASSETS	**60,527**	**34,939**	**35,749**	**131,215**
EQUITY	-	-	**61,492**	**61,492**
Non-current payables	-	6,283	34,364	40,647
Deferred tax liabilities	-	-	1,612	1,612
TOTAL NON-CURRENT LIABILITIES	-	**6,283**	**35,976**	**42,259**
Current payables	15,220	216	533	15,969
Trade and other payables	10,293	763	439	11,495
TOTAL CURRENT LIABILITIES	**25,513**	**979**	**972**	**27,464**
TOTAL EQUITY AND LIABILITIES	**25,513**	**7,262**	**98,440**	**131,215**

	Transaction management	Asset management	Not allocable	Total
CONTINUING OPERATIONS:				
Revenue	78,573	11,649	-	90,222
Other operating income	-	-	151	151
Changes in inventories of buildings acquired for refurbishment and/or conversion	(59,740)	19	-	(59,721)
Staff costs	(3,953)	(456)	(244)	(4,653)
Other operating expenses	(2,403)	(3,606)	(2,525)	(8,534)
Depreciation and amortisation charge	-	-	(93)	(93)
Consolidated profit from operations	**12,477**	**7,606**	**(2,711)**	**17,372**
Changes in fair value of investment property	-	1,991	-	1,991
Finance income	2	-	56	58
Finance costs	(561)	(391)	(2,405)	(3,357)
Impairment and gains or losses on disposals of financial instruments	-	-	(1)	(1)
Consolidated profit before tax	**11,918**	**9,206**	**(5,061)**	**16,063**
Income tax	-	-	545	545
Consolidated profit for the year	**11,918**	**9,206**	**(4,516)**	**16,608**

	Property sales	Real estate project management	Asset management and other	Total
Revenue	74,124	4,449	11,649	90,222

(Amounts in thousands of euros)

There were no significant inter-segment transactions in 2019 or 2018.

In 2019 and 2018 Vivenio Residencial Socimi, S.A. ("SOCIMI Vivenio") accounted for more than 10% of the Group's ordinary revenue (see Note 18).

7. Investment property

The changes in "Intangible assets" in the consolidated balance sheet in 2019 and 2018 were as follows:

	Thousands of euros
	Land and buildings
Balance at 31 December 2017	**19,555**
Additions and charge for the year	114
Changes in value	1,991
Balance as 31 December 2018	**21,660**
Additions and charge for the year	19
Changes in value	1,899
Balance as 31 December 2019	**23,578**

Changes in fair value of investment property

"Changes in fair value of investment property" in the accompanying consolidated statement of profit or loss includes the revaluation gains on investment property for 2019 and 2018, amounting to EUR 1,899 thousand and EUR 1,991 thousand, respectively. This change in value relates to the change in the fair value of the investment property as appraised by independent valuers at 31 December 2019 and 2018 (see Note 4-d).

Other disclosures

The total surface area (above and below grade level) of the investment property at 31 December 2019 and 2018 was 4,669 m^2 in residential assets and 711 m^2 in commercial premises:

The detail of the investment property that had been mortgaged at 31 December 2019 and 2018 as security for the loans recognised under "Current financial liabilities" is as follows:

	Thousands of euros			
	31/12/2019		31/12/2018	
	Debt	Fair value	Debt	Fair value
Investment property	6,388	23,578	6,601	21,660
Total	**6,388**	**23,578**	**6,601**	**21,660**

(Amounts in thousands of euros)

8. Leases

As lessee

At the end of 2019 and 2018 the Group had contracted with lessors for the following minimum lease payments, based on the leases currently in force, without taking into account the charging of common expenses, future increases in the CPI or future contractual lease payment revisions:

	Thousands of euros	
	31/12/2019	31/12/2018
In one year	172	168
From 2 to 5 years	41	37
After 5 years	-	-

The operating lease payments recognised as an expense in 2019 amounted to EUR 60 thousand. The remaining leases are accounted for as rights of use (see Note 2-b) as per IFRS 16. The operating lease payments recognised as an expense in 2018 amounted to EUR 228 thousand.

The most significant leases relate to the Parent's current offices located in Barcelona and Madrid.

As lessor

The Group has not contracted for any minimum lease payments of significant amounts under non-cancellable leases.

9. Investments in associates and interests in joint ventures

The detail of the investments in associates and interests in joint ventures at the end of 2019 and 2018 is as follows:

	Thousands of euros	
	31/12/2019	31/12/2018
Alemina Investments, S.L.	-	21
Total	**-**	**21**

On 22 March 2019, the sole liquidator of the investee Alemina Investments, S.L. executed the public deed of liquidation of such investee.

Likewise, on 3 December 2018, the sole liquidator of the investee Leterana Servicios y Gestiones, S.L. executed the public deed of liquidation of this investee.

The most significant investment in Group companies and the information related thereto at 31 December 2019 and 2018 is shown in Appendix II.

(Amounts in thousands of euros)

10. Non-current financial assets

The changes in "Non-current financial assets" in the accompanying consolidated balance sheet at the closing of 2019 and 2018 were as follows:

31 December 2019

	Thousands of euros			
	Equity instruments	Long-term accounts receivable (Note 19)	Long-term deposits and guarantees	Total
Equity instruments designated at fair value through other comprehensive income	13,397	-	-	13,397
Loans and receivables	-	7,537	88	7,625
Total	**13,397**	**7,537**	**88**	**21,022**

31 December 2018

	Thousands of euros			
	Equity instruments	Long-term accounts receivable (Note 19)	Long-term deposits and guarantees	Total
Equity instruments designated at fair value through other comprehensive income	3,038	-	-	3,038
Loans and receivables	-	9,826	51	9,877
Total	**3,038**	**9,826**	**51**	**12,915**

On 10 April 2017, the Parent executed the deed of incorporation of Vivenio (formerly, Rembrandt Activos Residenciales SOCIMI, S.A.) with a share capital of EUR 60 thousand. On 3 May 2017, the Parent formalised the transfer of 98.0590% of its ownership interest in the share capital of that investee to four new shareholders. Pylades Investments Holding, B.V., an APG Group company, became the new majority shareholder with an ownership interest at the end of 2017 of 97.04%.

The investee's capital was subsequently increased by an aggregate amount of EUR 128,800 thousand in successive capital increases performed in May, September and November 2017. The Parent's contributions in this connection amounted to EUR 2,498 thousand, in proportion to its 1.9410% ownership interest in the share capital. Lastly, in 2018 a further capital increase was performed at the investee, with Renta Corporación contributing EUR 97 thousand.

Also, on 3 May 2017 the Parent entered into an asset management agreement with the Spanish real estate investment trust (REIT) Vivenio, which was novated on 20 December 2018 and subsequently renewed on 27 March 2019, whereby the parties agreed that the Parent would render administrative, accounting and tax services and exclusively manage all of Vivenio's real estate business including, in particular, submitting investment proposals, real estate property project development proposals and the necessary divestment proposals in order to ensure appropriate asset rotation.

In this connection, and pursuant to the aforementioned agreement, in those cases in which an asset is ultimately acquired by Vivenio as a result of investment proposal submission services rendered by Renta Corporación, the latter will collect its fees as follows:

- From the first EUR 1,500 thousand and up to a fee equivalent of EUR 7,500 thousand, through the issue and delivery by Vivenio of a number of new Vivenio shares for an amount equal to the nominal value of the account receivable on the relevant accrual date.

- From EUR 7,500 thousand upwards, the Parent will collect its fees as follows: 50% in cash and 50% through the issue and delivery by Vivenio of a number of new Vivenio shares for an amount equal to the nominal value of the account receivable on the relevant accrual date.

Also, the agreement provides for an incentive fee to be received by Renta Corporación that must be calculated annually and will be paid by Vivenio through the issue and delivery of new shares. This fee is established on the basis of the achievement of certain parameters that include mainly the evolution of the investee’s net asset value (EPRA NAV) per share.

The revenue associated with this activity in 2019 and 2018 amounted to EUR 10,682 thousand and EUR 10,809 thousand, respectively (see Note 17).

As set out in the asset management agreement of 14 June 2019 both capital increases in Vivenio were subscribed and paid up by the Parent by fully offsetting the credit outstanding at 31 December 2018 for EUR 9,826 thousand resulting from the services rendered by Renta Corporación during 2018. Also, on 30 December 2019 a new capital increase was made amounting to EUR 150,000 thousand. During the reporting period additional capital increases in Vivenio were materialised totalling EUR 268,175 thousand, in which no amounts were contributed by the Group.

Therefore, after the aforementioned capital increases, at 31 December 2019 the Parent holds 11,628 shares of Vivenio, accounting for 2.06% of its share capital.

At 31 December 2019 and 2018, the Parent measured the aforementioned ownership interest at fair value recognising any changes in value through equity. The gross change in the market price of this investee’s shares in 2019 amounted to EUR 533 thousand, EUR 400 thousand net of the tax effect (2018: EUR 416 thousand, EUR 312 thousand net of the tax effect), which was recognised as a balancing entry under “Financial assets available for sale” in the equity heading “Adjustments for changes in value” in the accompanying consolidated balance sheet.

Consequently, at 31 December 2019 the Parent recognised an account receivable from Vivenio amounting to EUR 7,537 thousand relating to fees earned during the year that will be collected in 2020, once the General Meeting of Vivenio approves the corresponding capital increase, in the form of an increase in Renta Corporación’s ownership interest.

This non-current account receivable, which will be collected in full in shares of Vivenio, was classified as a non-current asset in the accompanying consolidated balance sheet since the shares of Vivenio received as consideration for the aforementioned services must be retained by the Parent for a period between two and five years, as established in the agreement.

(Amounts in thousands of euros)

The main data relating to Vivenio at the closing of 2019 and 2018 are included in the following table:

2019	Location/ Registered Office	Thousands of euros					Direct	Indirect
		hare capital (**	Reserves (**)	Profit(loss) (**)	Treasury shares (**)	Other equity instruments (**)		
NON-CURRENT EQUITY VIVENIO Residencial SOCIMI, S.A. and Subsidiaries(*) (**)	C/ Velázquez 51, 1º Izq. - 28001 Madrid	564.619	50.688	(2.936)	(290)	8.692	2,06%	-

(*) Company audited by Ernst & Young, S.L.
(**) Unaudited provisional data.

2018	Location/ Registered Office	Thousands of euros					Direct	Indirect
		Share capital	Reserves	Profit(loss)	Treasury shares	Other equity instruments		
NON-CURRENT EQUITYINSTRUMENTS: VIVENIO Residencial SOCIMI, S.A. and Subsidiaries(*) (**)	C/ Velázquez 51, 1º Izq. - 28001 Madrid	286.459	15.921	(11.422)	(295)	10.933	1,94%	-

(*) Company audited by Ernst & Young, S.L.

11. Inventories

The changes in “Inventories” in the years ended 31 December 2019 and 2018 were as follows:

	Thousands of euros				
	Land and building lots	Buildings acquired for refurbishment and/or conversion	Purchase options	Write-downs	Total
Balance at 31 December 2017	**18,115**	**22,025**	**1,790**	**(456)**	**41,474**
Additions and charge for the year	-	73,243	4,629	(328)	77,544
Transfers	-	2,124	(2,124)	-	-
Disposals and reductions	-	(59,721)	(2,357)	455	(61,623)
Balance at 31 December 2018	**18,115**	**37,671**	**1,938**	**(329)**	**57,395**
Additions and charge for the year	-	79,800	9,312	(156)	88,956
Disposals and reductions	-	(54,555)	(3,765)	277	(58,043)
Balance at 31 December 2019	**18,115**	**62,916**	**7,485**	**(208)**	**88,308**

“Additions” at the end of 2019 and 2018 related to the acquisition of properties to be converted and subsequently sold. In many cases, properties are converted and sold within the same year

In this connection, in 2019 the Group sold various projects, either through the sale of whole buildings or the sale of certain properties in fractions by selling housing units and parking spaces, in Barcelona and Madrid, resulting in an aggregate amount of EUR 54,555 thousand being derecognised in 2019 (2018: EUR 59,721 thousand).

In 2019 the Group capitalised borrowing costs amounting to EUR 253 thousand (2018: EUR 618 thousand) to inventories.

Purchase options

The “Inventories” heading includes the purchase option premiums paid by the Group for the purchase options on properties. The following table details the options held, their cost and the associated investment rights at 31 December 2019 and 2018:

	31 December 2019	31 December 2018
Number of gross purchase options	21	16
Gross purchase option premiums (in thousands of euros)	7,485	1,938
Investment rights associated with gross purchase options (in thousands of euros)	161,728	96,275

The gross balance of the purchase options recognised relates to transactions that are studied in depth and for which Group management considers the continuation of the projects on expiry of the option based on their adaptability to the market conditions. The purpose of the purchase options is to enable the Group to acquire properties that will be operated by it.

At 31 December 2019 and 2018, there were no purchase options that were unrelated to the Group’s ordinary business.

The option premiums amounted to EUR 7,485 thousand at 31 December 2019, of which EUR 208 thousand related to write-downs (31 December 2018: EUR 1,938 thousand, of which EUR 329 thousand related to write-downs). Total net options exist for underlying assets amounting to EUR 148,428 thousand, the realisation of which is expected to take place within a period of less than 12 months (2018: EUR 72,440 thousand).

At 31 December 2019 and 2018, the Group had not recognised any write-downs under “Land and building lots” and “Buildings acquired for refurbishment and/or conversion” since, in accordance with the measurement bases detailed in Note 4-g, their net realisable values are not expected to drop.

Pursuant to the terms and conditions of the Arrangement with Creditors described in Note 1, the consolidated company Renta Corporación Real Estate ES, S.A.U. mortgaged land recognised under “Land and building lots” as security for the creditors who opted for Alternative B of the aforementioned Arrangement. In this regard, when the debt matures, the aforementioned creditors must accept the building lot located in Cánovas as dation in payment for their claims, after which they will not be entitled to claim any further amount from the debtors. This condition was taken into consideration by the independent valuer Accode Business Influencers, S.L. in 2019 and 2018, when determining the recoverable amount of the asset.

As stated above, at 31 December 2019 the Group recognised a write-down associated with “Purchase options” amounting to EUR 208 thousand (31 December 2018: EUR 329 thousand) related to those options which are not expected to be exercised on the established expiry date.

(Amounts in thousands of euros)

Other matters

At 31 December 2019 and 2018, there were no property development sale commitments not recognised as revenue because the public deeds of transfer of ownership had not been executed.

The detail of the properties considered to have been mortgaged as security for loans classified as current payables, either because the properties were actually mortgaged or because there was a promise to mortgage them, at 31 December 2019 and 2018 is as follows:

	Thousands of euros			
	31/12/2019		31/12/2018	
	Debt	Carrying amount	Debt	Carrying amount
Land and building lots	17,174	18,115	16,927	18,115
Buildings acquired for refurbishment and/or conversion	33,761	55,104	15,191	24,841
Total	**50,935**	**73,219**	**32,118**	**42,956**

At 31 December 2019 and 2018, the Group did not have any inventories securing litigation involving third parties.

12. Trade receivables for sales and services and Sundry accounts receivable

This heading under current assets in the accompanying consolidated balance sheets at 31 December 2019 and 2018 is as follows:

	Thousands of euros	
	31/12/2019	31/12/2018
Trade receivables	7,139	1,126
Sundry accounts receivable	2,465	2,662
Total	**9,604**	**3,788**

The ageing of the trade receivables and sundry accounts receivable at 31 December 2019 and 2018 is as follows:

	Thousands of euros	
	31/12/2019	31/12/2018
Unmatured balance	9,553	3,662
Past-due by 1 to 90 days	8	84
Past-due by 91 to 180 days	-	12
Past-due by more than 180 days	43	30
Total trade receivables, trade receivables from Group companies and associates and sundry accounts receivable	**9,604**	**3,788**

(Amounts in thousands of euros)

13. Cash and cash equivalents

At 31 December 2019 and 2018, "Cash and cash equivalents" amounted to EUR 5,353 thousand and EUR 8,725 thousand, respectively, and related in full to cash on hand and demand deposits at banks.

At the closing of 2019, this heading included a restricted amount of EUR 38 thousand. There were no restricted balances at the end of 2018

14. Equity

Share capital

In 2019 and 2018 there were no changes in the Parent's share capital; accordingly, at 31 December 2019 and 2018, the share capital was represented by 32,888,511 fully subscribed and paid-in ordinary registered shares of EUR 1 par value each.

The Parent's shares were admitted to trading on the Spanish Stock Market Interconnection System of the Madrid and Barcelona Stock Exchanges on 5 April 2006 (see Note 1). As a result of the Parent having filed for voluntary insolvency on 19 March 2013, the trading of its shares on the Spanish Stock Market Interconnection System was suspended. The suspension was lifted on 30 October 2014, once the Arrangement with Creditors was approved on 8 July 2014 (see Note 1).

As per the communications relating to the number of shares made to the Spanish National Securities Market Commission, the holders of significant direct and indirect ownership interests in the Parent's share capital at 31 December 2019 and 2018 were as follows:

	December 2019			December 2018		
	Number of directly held shares	Number of indirectly held shares	% of ownership	Number of directly held shares	Number of indirectly held shares	% of ownership
Name of the shareholder:						
Luis Hernández de Cabanyes	292,281	6,624,400	21.03%	292,281	6,788,843	21.53%
Oravla Inversiones, S.L.	1,645,099	-	5.00%	1,645,099	-	5.00%
Blas Herrero Vallina	1,342,207	-	4.08%	1,342,207	-	4.08%
Vanesa Herrero Vallina	1,342,207	-	4.08%	1,342,207	-	4.08%
Santander Small Cap	1,168,331	-	3.55%	-	-	-
Fundación Privada Renta	1,151,098	-	3.50%	986,655	-	3.00%
Concerted action	-	1,000,000	3.04%	-	1,000,000	3.04%

The Parent is unaware of other significant ownership interests.

Article 13 of the bylaws currently in force does not provide for share transfer restrictions.

(Amounts in thousands of euros)

Share premium

There were no changes in the share premium in 2019 or 2018.

The Spanish Companies Law expressly allows the use of the "Share premium" balance to increase capital and does not establish any specific restrictions as to its use.

Legal reserve

Under the Spanish Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The part of the legal reserve balance that exceeds 10% of the already increased capital may be used to increase capital. Except for the aforementioned purpose, until it exceeds 20% of the share capital, this reserve may only be used to offset losses, provided that there are no other sufficient reserves available for such purpose.

At 31 December 2019, the balance of the legal reserve totalled EUR 6,578 thousand, and therefore had reached the legally required minimum.

Distribution of dividends

On 11 April 2019 the Parent's Annual General Meeting agreed the payment of a final dividend on 2018 profit, amounting to EUR 1,900 thousand. Furthermore, during 2019 an interim dividend charged to the profit for 2019 was paid in the amount of EUR 1,200 thousand (see Note 3).

Treasury shares

The detail of the treasury shares and of the changes therein in 2019 and 2018 is as follows:

	Number of shares	Thousands of euros	
		Nominal value	Cost
Balance at 31 December 2017	**807,806**	**808**	**3,013**
Treasury share-based payments	(42,955)	(43)	(160)
Balance at 31 December 2018	**764,851**	**765**	**2,853**
Acquisition of treasury shares	15,701	16	50
Treasury share-based payments	(80,171)	(80)	(298)
Liquidity agreement −			
Acquisition of treasury shares	74,405	74	235
Disposal of treasury shares	(62,208)	(62)	(229)
Adjustments	-	-	(3)
Balance at 31 December 2019	**712,578**	**713**	**2,608**

At 31 December 2019 and 2018, the Parent had a specific plan to repurchase shares, which is detailed below.

On 27 April 2016, the Annual General Meeting approved the acquisition by transfer of title of shares up to the limit permitted by law, in order to contribute to the liquidity of the shares on the market, and expressly authorised the

Board of Directors to do so, in accordance with Article 146 of the Spanish Companies Law, under the following terms and conditions:

a) The shares may be acquired directly by the Parent or indirectly through its subsidiaries.

b) Acquisitions can be made through purchase, exchange or any other method provided by law.

c) The shares may be acquired at any given time up to the limit permitted by law.

d) The shares must be acquired for a price equal to the market price at the closing of the trading day immediately preceding the day on which the acquisition takes place, within a maximum range of +/- 20% of the abovestated closing market price.

e) This authorisation is granted for a maximum of five years.

It was expressly placed on record that the shares acquired as a result of the authorisation could be sold or retired, used in the remuneration systems foreseen in the Spanish Companies Law, as well as in the implementation of programmes fostering investment in the Parent's share capital such as dividend reinvestment plans, loyalty bonuses or other similar instruments.

On the other hand, the Parent formalised a liquidity agreement on 20 November 2019 with the sole purpose of favouring the liquidity and regular market price of its shares within the limits set by the Annual General Meeting and pursuant to the regulations in force, specifically, Circular 1/2017 of 26 April issued by the Spanish National Securities Market Commission regarding liquidity agreements.

Also, at the reporting date the Parent had granted five-based payment plans to employees and executives of the Renta Corporación Group, which were approved by the Extraordinary General Meeting on 11 November 2014 and by the Board of Directors on 11 May 2016, 10 May 2017, 10 May 2018 and 9 May 2019, respectively.

The Parent has also granted two share-based payment plans to the CEO of the Renta Corporación Group, which was approved by the Extraordinary General Meeting on 11 November 2014 and by the Ordinary General Meeting on 11 April 2019.

Furthermore, the Parent has also granted a share-based payment plan to key personnel of the Renta Corporación Group, which was approved by the Board of Directors on 27 February 2019.

The plans approved on 11 November 2014 initially envisaged the delivery of 270,367 shares between 2015 and 2020. The plan approved on 11 May 2016 initially envisaged the delivery of 14,225 shares between 2016 and 2021. The plan approved on 10 May 2017 initially envisaged the delivery of 5,690 shares between 2017 and 2022. The plan approved on 10 May 2018 initially envisaged the delivery of 22,764 shares between 2018 and 2023. Additionally, the plan approved on 27 February 2019 initially envisaged the delivery of 155,000 shares between 2019 and 2024, and the plan approved on 11 April 2019 initially envisaged the delivery of 20,000 shares between 2019 and 2024. Lastly, the plan approved on 09 May 2019 initially envisaged the delivery of 28,454 shares between 2019 and 2024.

The aim of these plans is to remunerate the beneficiaries thereof, lead them to undertake their work with a focus on the medium term and foster and encourage their long-term service. The delivery of the shares is contingent upon the beneficiaries remaining in the Group's employ on the share delivery date.

(Amounts in thousands of euros)

In 2019, a total of 80,171 treasury shares were delivered (2018: 42,955) in accordance with the share plans, the value of which on the delivery date amounted to EUR 152 thousand (2018: EUR 69 thousand), which were recognised under "Other employee benefit costs". The difference between the market price of the shares on the delivery date and the cost of the shares delivered, amounting to EUR 146 thousand (2018: EUR 91 thousand), was recognised as a reduction of "Reserves".

15. Non-current and current payables

The breakdown by maturity of "Non-current payables" and "Current payables" at 31 December 2019 and 2018 is as follows.

31 December 2019

	Thousands of euros							
	Current maturity	Non-current maturities						Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	After 5 years	Total non-current	
Debt instruments and other marketable securities:								
Issues of debt instruments	-	-	-	15,909	-	-	15,909	15,909
Issue of promissory notes	-	276	-	-	-	-	276	276
Bank borrowings:								
Participating loan	-	347	16,827	-	-	-	17,174	17,174
Mortgage loans	-	233	242	252	261	5,177	6,165	6,165
Other financial liabilities:								
Debt under Arrangement with Creditors (Note 1)	-	488	464	32	60	419	1,463	1,463
IFRS 16 Leases	-	176	190	190	204	311	1,071	1,071
Total, non-current	**-**	**1,520**	**17,723**	**16,383**	**525**	**5,907**	**42,058**	**42,058**
Debt instruments and other marketable securities:								
Issue of promissory notes	12,420	-	-	-	-	-	-	12,420
Fees and interest	258	-	-	-	-	-	-	258
Bank borrowings:								
Mortgage loans	1,632	963	10,097	1,030	1,050	14,713	27,853	29,485
Interest and other	510	-	-	-	-	-	-	510
Other financial liabilities:								
Other loans	-	4,500	-	-	-	-	4,500	4,500
Interest and other	239	-	-	-	-	-	-	239
IFRS 16 Leases	170	-	-	-	-	-	-	170
Total, current	**15,229**	**5,463**	**10,097**	**1,030**	**1,050**	**14,713**	**32,353**	**47,582**

(Amounts in thousands of euros)

31 December 2018

	Thousands of euros							
	Current maturity	Non-current maturities						Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	After 5 years	Total non-current	
Debt instruments and other marketable securities:								
Issues of debt instruments	-	-	-	-	15,827	-	15,827	15,827
Bank borrowings:								
Participating loan	-	347	330	15,778	230	-	16,685	16,685
Mortgage loans	-	225	233	242	252	5,436	6,388	6,388
Other financial liabilities:								
Debt under Arrangement with Creditors (Note 1)	-	361	457	435	29	465	1,747	1,747
Total, non-current	**-**	**933**	**1,020**	**16,455**	**16,338**	**5,901**	**40,647**	**40,647**
Debt instruments and other marketable securities:								
Fees and interest	258	-	-	-	-	-	-	258
Bank borrowings:								
Mortgage loans	319	1,165	169	6,648	178	3,969	12,129	12,448
Interest and other	242	-	-	-	-	-	-	242
Other financial liabilities:								
Other loans	-	2,899	-	-	-	-	2,899	2,899
Interest and other	65	57	-	-	-	-	57	122
Total, current	**884**	**4,121**	**169**	**6,648**	**178**	**3,969**	**15,085**	**15,969**

Non-current participating loan

The non-current participating loan includes the account payable to the financial creditors who opted for Alternative B of the Arrangement with Creditors as detailed in Note 1 to these consolidated financial statements, which matures in 2022. It is recognised at amortised cost, discounted at a rate of 5.12%. The loan, taking into consideration the future cash flows related to the accrual of interest, as established in the Arrangement with Creditors for these payables, amounts to EUR 17,174 thousand. Such increase corresponds to the interest that will accrue and the related interest cost.

The land described in Note 1 was mortgaged to secure this participating loan. In accordance with the Arrangement with Creditors, when the loan matures, the creditors must accept as dation in payment for their claims the land located in Cánovas, after which they will not be entitled to claim any further amount from debtors.

Bond issues

On 2 October 2018, the Parent issued a series of 165 ordinary unsecured non-convertible bonds amounting to EUR 16,500 thousand, maturing on 2 October 2023 and issued at par value. The bonds' annual coupon rate is 6.25%, payable yearly in arrears.

The bond arrangement expenses amounted to EUR 748 thousand. As indicated in Note 4-f, the bonds issued were measured at amortised cost. Consequently, the interest accrued and the arrangement expenses are recognised in the statement of profit or loss using the effective interest method.

The non-convertible bonds currently outstanding establish the need to achieve a financial ratio whereby the adjusted consolidated net financial debt of the Renta Corporación Group cannot be higher than 3.5x the consolidated EBITDA of the Group over a period of more than six months. At 31 December 2019, the abovestated ratio was being achieved and the Parent's directors do not foresee any breach thereof in the short term.

Issue of promissory notes

On 25 March 2019 the Parent placed a promissory note programme on the Alternative Fixed-Income Market (MARF, Spanish acronym) with a maximum outstanding balance of EUR 30,000 thousand valid for 12 months. The nominal interest rate and maturity date of the promissory notes will be established on each issue date. The maximum maturity or repayment term of the promissory notes within the scope of the aforementioned programme will be two years from their issue date.

At 31 December 2019 the amount drawn by the Group under said programme totalled a par value of EUR 12,900 thousand at an interest rate between 1.25% and 4.00%.

Mortgage and other loans

Non-current –

The amount recognised in connection with non-current mortgage loans in the accompanying consolidated balance sheet relates to the loans arranged by the Group to finance the investment property (see Note 7).

Current –

In 2019 the Group arranged five individual loans totalling EUR 4,500 thousand, maturing in 2021. Such loans were used to finance the development of certain developments acquired and recognised under "Inventories" at 31 December 2019 (see Note 11). Regarding the five individual loans held at the closing of the previous period, which were initially foreseen to mature in 2020, the Group repaid them in full in the current year for a total of EUR 2,899 thousand.

At the closing of 2019 the Group held 16 mortgage loans with an aggregate repayment cost pending settlement of EUR 29,261 thousand. One of these contracts matures in 2020, two other contracts in 2022 and the remaining contracts after five years. These loans were used to finance certain developments acquired and recognised under "Inventories" at 31 December 2019 (see Note 11).

Pursuant to IAS 7, below is a reconciliation of the cash flows arising from financing activities, together with the associated liabilities in the opening and closing consolidated balance sheets, distinguishing between changes that give rise to cash flows and those that do not:

(Amounts in thousands of euros)

2019

	Thousands of euros					
			No impact on cash flows			
	01/01/2019	Cash flows	Accrued interest payable	Interest cost	Reclassifications and other	31/12/2019
Non-current and current payables:						
Long-term promissory note issues	-	940	14	-	(678)	276
Long-term bond issues	15,827	-	144	-	(62)	15,909
Long-term participating loan	16,685	-	-	489	-	17,174
Long-term mortgage loans	18,517	17,698	-	137	(2,334)	34,018
Other long-term loans	2,899	1,601	-	-	-	4,500
Long-term debt under Arrangement with Creditors	1,747	(149)	154	98	(387)	1,463
Short-term promissory note issues	-	11,581	309	-	530	12,420
Short-term mortgage loans	319	(319)	-	-	1,632	1,632
IFRS 16 Leases	-	(160)	-	67	1,334	1,241
Interest and other at short term	622	243	185	(46)	3	1,007
Total liabilities arising from financing activities	**56,616**	**31,435**	**806**	**745**	**38**	**89,640**

2018

	Thousands of euros					
			No impact on cash flows			
	01/01/2018	Cash flows (*)	Accrued interest payable	Interest cost	Reclassifications and other	31/12/2018
Non-current and current payables:						
Long-term bond issues	-	15,802	25	-	-	15,827
Long-term participating loan	14,925	-	-	1,587	173	16,685
Long-term mortgage loans	14,518	4,327	-	-	(328)	18,517
Other long-term loans	4,350	(1,451)	-	-	-	2,899
Long-term debt under Arrangement with Creditors	2,113	-	-	104	(470)	1,747
Short-term mortgage loans	368	(368)	-	-	319	319
Interest and other at short term	621	(38)	233	-	(194)	622
Total liabilities arising from financing activities	**36,895**	**18,272**	**258**	**1,691**	**(500)**	**56,616**

(*) This Note does not include the effect of the long-term payments made in 2018 related mainly to the Singular Arrangement amounting EUR 1,549 thousand, classified under “Other non-current accounts payable to public authorities” in the accompanying consolidated balance sheet that are included under “Proceeds and payments relating to financial liability instruments” in the consolidated statement of cash flows.

Guarantees

At 31 December 2019, the Group had provided guarantees to third parties amounting EUR 3,184 thousand (31 December 2018: EUR 741 thousand), the majority of which secure the payment obligations arranged in connection with the purchase of properties with deferral of payment.

Interest

Mortgage loans at 31 December 2019 were initially applied a fixed rate between 1.75% and 3.50% and, subsequently, variable rates based on Euribor plus a spread between 1.45 and 3.50 basis points. Likewise, mortgage loans at 31 December 2018 were initially applied a fixed rate between 1,80% and 3.50% and, subsequently, variable rates based on Euribor plus a spread between 1.80 and 3.50 basis points.

Also, the interest rate applicable to the individual loans at 31 December 2019 and 31 December 2018 was 9%.

At 31 December 2019 and 2018, the accrued interest payable amounted to EUR 768 thousand and EUR 549 thousand, respectively.

Objective of the risk management policy

The aim of the Group's risk management policy is for the Group to remain solvent by attempting to mitigate the following types of risk:

<u>Financial risk factors</u>

The Group's activities are exposed to various financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's global risk management programme focuses on the uncertainty of the financial markets and aims to minimise the potential adverse effects on its earnings.

Risk management is controlled by the Group's General Corporate Management in accordance with the policies approved by the Board of Directors. This department identifies, assesses and hedges financial risks in close cooperation with the Group's operating units. The Group's Board of Directors sets policies for global risk management, as well as for the management of foreign currency risk, interest rate risk, liquidity risk, the use of derivative and non-derivative instruments and investment of surplus liquidity.

Market risk: foreign currency risk –

The Group defines foreign currency risk as the potential negative impact of changes in exchange rates on its results, equity or cash flows.

The Group's exposure to this type of risk is scant, since it does not have any international subsidiaries nor does it perform any transactions in currencies other than the euro.

Market risk: interest rate risk –

The Group currently finances its activities through a participating loan, mortgage loans that bear floating market interest rates and individual loans, and through the issue of promissory notes and five-year unsecured ordinary bonds.

The participating loan with a nominal value of EUR 18.2 million is secured by a mortgage on the Cánovas asset (see Note 1). This participating loan bears a floating interest rate tied to Euribor plus a spread between 1% and 3%, depending on the Group's consolidated net profit, provided that it exceeds at least EUR 10.0 million. If the consolidated net profit is less than EUR 10.0 million, no floating interest will accrue. In 2019 and 2018 since the consolidated profit was in excess of EUR 10.0 million, this loan accrued floating interest on this account.

The interest rate risk is managed in accordance with the policies approved by the Parent's Board of Directors, which set out whether or not hedging instruments must be maintained to minimise the impact of interest rate volatility. To date, the Renta Corporación Group had not arranged any interest rate hedges.

However, the favourable interest rate terms established in the Arrangement with Creditors and the fixed coupon rate borne by the bonds provide a natural hedge against volatility and, therefore, it is not necessary to arrange any forward rate agreements.

Credit risk –

Credit risk refers to both the ability to obtain financing and the ability to access cash and deposits with banks and financial institutions, as well as collections from customers, including outstanding accounts receivable and committed transactions.

In 2019 the obtainment of financing remained a priority for the Group, which managed to acquire mortgages for certain real estate projects, which demonstrates that banks are more open to financing real estate projects.

To date, the Group has not had any difficulty collecting the receivables arising from the transactions in 2019, due both to a lack of late payments and to its ability to enforce the guarantees securing these collections.

Liquidity risk –

The Group's ability to secure new financing depends on a large number of factors, some of which are beyond its control, such as the general state of the economy, the availability of credit from banks and the monetary policies in place.

Worthy of mention in this connection is the arrangement of various mortgage transactions in 2019 and 2018 with several banks. These mortgages financed real estate projects under the Renta Corporación Group's business model: purchase, refurbishment and sale of properties within a timeframe of less than two years.

Also, the Renta Corporación Group continues to explore new sources of financing, such as the aforementioned issue of bonds and promissory notes, including any type of business alliance with financial partners, which will make it possible for the Group to increase its sources of financing in order to carry out larger-scale projects with greater margins in the future.

Capital risk management

The Group's exposure to capital risk is determined by the difficulty of maintaining sufficient levels of equity and borrowings to continue operating as a going concern, of generating returns for shareholders and other equity instrument holders, and of maintaining an optimal capital structure to contain or reduce the cost of capital.

(Amounts in thousands of euros)

16. Tax matters

The detail of the current tax receivables and payables at 31 December 2019 and 2018 is as follows:

	Thousands of euros			
	Tax receivables		Tax payables	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Taxes	61	71	296	229
VAT	17	149	1,130	-
Current tax	988	2,023	474	567
Deferrals – Singular Arrangement relating to VAT	-	-	-	769
Other debts under Arrangement with Creditors – Tax authorities	-	-	265	259
Accrued social security taxes	-	-	56	46
Total, current balances	**1,066**	**2,243**	**2,221**	**1,870**
Deferred tax liabilities	-	-	2,276	1,612
Tax loss carryforwards	25,057	22,049	-	-
Other deferred tax assets	1,998	2,006	-	-
Total, non-current balances	**27,055**	**24,055**	**2,276**	**1,612**

As a result of the Group filing a petition for voluntary insolvency proceedings on 19 March 2013 (see Note 1), the Group lost the right to file consolidated income tax returns and consolidated VAT returns and, accordingly, the Group companies began to file individual tax returns. In 2015, once the Arrangement with Creditors detailed in Note 1 was approved, the Renta Corporación Group resumed the filing of VAT returns under the advanced consolidated special deductible proportion system.

The Parent and the subsidiary Renta Corporación Real Estate ES, S.A.U. file VAT returns under the special deductible proportion system.

Article 29 under Law 27/2014 of 27 November on corporate income tax, in force as from 1 January 2015, established a standard tax rate of 25%.

Also, Royal Decree-Law 3/2016 on income tax, of 2 December, sets forth a limit on the offset of tax losses of 25% of the tax base prior to offset for companies whose revenue is equal to or higher than EUR 60 million, of 50% if their revenue is between EUR 20.0 million and EUR 60.0 million, and of 70% if their revenue is less than EUR 20.0 million. In any event, tax losses of up to EUR 1.0 million may be offset in a tax period.

(Amounts in thousands of euros)

The reconciliation of the accounting profit to the taxable profit at 31 December 2019 and 2018 is as follows:

31 December 2019

	Thousands of euros		
	Increase	Decrease	Amount
Profit for the year before tax (aggregate of separate companies)			20,725
Permanent differences:			
Non-deductible costs	62	-	62
Donations	201	-	201
Tax-exempt dividends	-	(6)	(6)
Temporary differences:			
Arising in prior years-			
Write-down of purchase options	-	(277)	(277)
Tax adjustments – Insolvency proceedings	2,492	-	2,492
30% deduction of amortisation cost	-	(16)	(16)
Arising in current year-			
Write-down of purchase options	156	-	156
Non-deductible finance costs	96	-	96
Other adjustments	16	-	16
Tax base (taxable profit/loss)	**3,023**	**(299)**	**23,449**

31 December 2018

	Thousands of euros		
	Increase	Decrease	Amount
Profit for the year before tax (aggregate of separate companies)			22,676
Permanent differences:			
Donations	277	-	277
Temporary differences:			
Arising in prior years-			
Donations	-	(20)	(20)
Write-down of purchase options	-	(425)	(425)
Tax adjustments – Insolvency proceedings	3,240	-	3,240
30% deduction of amortisation cost	-	(16)	(16)
Arising in current year-			
Write-down of purchase options	328	-	328
Non-deductible finance costs	735	-	735
Tax base (taxable profit/loss)	**4,580**	**(461)**	**26,795**

The increase in the tax base due to temporary differences in 2019 and 2018 related mainly to the reversal and inclusion in the tax base of the negative adjustments recognised in relation to the debt composition and rescheduling in the Arrangement with Creditors.

(Amounts in thousands of euros)

The reconciliation of the accounting profit to the income tax cost recognised in profit or loss for 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Profit for the year before tax (aggregate of separate companies)	20,725	22,676
Permanent differences	257	277
Adjusted accounting result	**20,982**	**22,953**
Tax charge at 25%	(5,246)	(5,738)
Impact of non-recognised temporary differences	(619)	(801)
Deductions	71	430
Offset of tax losses	3,232	3,754
Recognition of tax assets	3,008	2,289
Recognition of other deferred taxes	-	1,148
Deferred tax liabilities arising from revaluation of investment property and other	(530)	(558)
Other adjustments	3	21
Total income tax benefit recognised in profit or loss	**(81)**	**545**
- Current tax	(3,089)	(2,882)
- Deferred taxes	3,008	3,427

The data relating to the income tax return for 2019 constitute the best available estimate at the date of formal preparation of the consolidated financial statements and may differ from the definitive tax return. The period for filing the definitive tax return runs from 1 to 25 of July 2020.

Net deferred tax assets

The breakdown of changes in the balances of deferred tax assets at 31 December 2019 and 2018 is as follows:

	Thousands of euros								
	31/12/2017	Additions	Disposals	Other	31/12/2018	Additions	Disposals	Other	31/12/2019
Deferred tax assets:									
Tax loss carryforwards (gross)	23,151	2,289	(810)	(769)	23,861	3,008	(623)	2	26,248
Other	698	1,414	(106)	-	2,006	67	(69)	(6)	1,998
Deferred tax liabilities	(3,391)	-	810	769	(1,812)	-	623	(2)	(1,191)
Total net deferred and other tax assets	**20,458**	**3,703**	**(106)**	-	**24,055**	**3,075**	**(69)**	**(6)**	**27,055**

As a result of the ruling passed on 8 July 2014 approving the Arrangement with Creditors, the Group companies recognised the debts thereunder at their fair value. This situation led to the recognition in 2014 of finance income amounting to EUR 54,985 thousand at Renta Corporación Real Estate, S.A. and to EUR 56,417 thousand at Renta

Corporación Real Estate ES, S.A.U., on account of debt composition and rescheduling and the related interest cost.

Consequently, and pursuant to the Spanish Income Tax Law, the Group made the corresponding negative adjustments in the income tax return for the period, as a result of the income recognised in connection with debt composition and rescheduling under the Arrangement with Creditors. These adjustments will be included in the future tax bases as the finance costs resulting from the Arrangement are subsequently recognised, up to the limit of the aforementioned income. However, if the aforementioned income exceeds the total amount of the finance costs not yet recognised resulting from the Arrangement, the income will be included in the tax base at a rate proportional to the finance costs recognised in each tax period as a percentage of the total finance costs not yet recognised arising from the Arrangement.

As a result, the deferred tax liabilities associated with these temporary differences, which will reverse up to maturity of the debt (2022 for ordinary claims and 2030 for subordinated claims) initially amounted to EUR 27,850 thousand. 7,850 thousand. At 31 December 2014, the Group had tax losses incurred in prior years amounting to EUR 301,972 thousand in relation to which no deferred tax assets had been recognised. The directors then considered that, due to the nature of the tax losses, the fact that they fall under the same jurisdiction, with a time horizon in excess of that over which the deferred tax liabilities will reverse, and that in part they stemmed from the conclusion of the insolvency proceedings, they should be recognised for an amount equal to the amount of the deferred tax liabilities, i.e., EUR 27,850 thousand.

Based on the nature of the deferred tax assets and liabilities, the Group has determined that these deferred taxes should be presented in the accompanying consolidated balance sheet at their net balance, and detailed in a disclosure in this Note.

Based on the foregoing, in 2019 the Group reversed temporary differences relating to the aforementioned debt composition and rescheduling amounting to EUR 2,492 thousand (2018: EUR 3,240 thousand). The associated deferred taxes totalled EUR 623 thousand in 2019 against EUR 810 thousand in 2018.

At 31 December 2019, the directors recognised a deferred tax asset, net of the aforementioned deferred tax liability, amounting to EUR 27,055 thousand, the recovery of which was projected on the basis of the updated business plan approved by the Board of Directors on 26 February 2020.

In line with this plan, the Group will continue to develop its asset management business model, incorporating new leased asset management vehicles in non-residential segments. The update of the strategic plan for 2020-2024 is based on the following:

- A context characterised by increased access to financing.

- A forward-looking approach aimed at strengthening the Group’s market position while continuing its growth trend by means of the following:

    a) Improving the Group’s operating margin by increasing the number of transactions and, in particular, the average scale thereof.

    b) Maintaining cost control, adapting the structure to the expected level of activity and exploring the possibility of outsourcing certain services.

    c) Expanding the business model through the incorporation of two new business lines engaging in the management of both Group and third-party assets for non-residential use. Both such lines will materialise through external vehicles, which will guarantee a greater and more regular source of income.

(Amounts in thousands of euros)

The aforementioned strategic plan also guarantees fulfilment of the debt repayment obligations under the Arrangement with Creditors entered into in the insolvency proceedings (see Note 1).

Deferred tax assets relating to tax loss carryforwards

The Spanish Income Tax Law in force provides that prior years' tax losses can be offset in future years without any time limit.

The following table shows the tax losses incurred by the Group companies at 31 December 2018, recognised and not recognised in the accompanying consolidated balance sheet:

Arising in:	Thousands of euros			
	31/12/2018	Generating positive tax	Offsetting negative tax	31/12/2019
2008	29,812	-	(2,822)	26,990
2009	15,254	-	-	15,254
2010	35,822	-	(10,104)	25,718
2011	7,213	-	-	7,213
2012	43,394	-	-	43,394
2013	2,874	-	-	2,874
2014	42,976	-	-	42,976
2016	2	-	(2)	-
2019	53	53	-	53
Total	**177,347**	**53**	**(12.928)**	**164,472**

Therefore, a deferred tax asset amounting to EUR 104,060 thousand was recognised out of a total of EUR 164,468 thousand tax loss carryforwards associated with the aforementioned events at 31 December 2019.

Deferred tax assets relating to tax credit carryforwards

The following table shows the tax credits generated by the Group that had not been deducted at 31 December 2019, which were recognised and not recognised in the accompanying balance are as follows:

	Thousands of euros		
Arising in:	31/12/2018	Additions	31/12/2018
2012	478	-	478
2013	3,917	-	3,917
2014	463	-	463
2015	785	-	785
2016	640	-	640
2017	635	-	635
2018	735	-	735
2019	-	96	96
Total	**7,653**	**96**	**7,749**

(Amounts in thousands of euros)

Deferred tax liabilities

	Thousands of euros					
	31/12/2017	Additions	31/12/2018	Additions	Other changes	31/12/2019
Revaluation of investment property and reversal of depreciation charge	950	558	1,508	537	(6)	2,039
Equity instruments designated at fair value through other comprehensive income	-	104	104	133	-	237
Total deferred tax liabilities	**950**	**662**	**1,612**	**670**	**(6)**	**2,276**

They relate mainly to the difference between the carrying amount of the investment property measured at fair value (IFRS) and its tax base (measured at cost, net of depreciation).

Years open for review and tax audits

Under current legislation, taxes cannot be deemed to be definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired. At the closing of 2019 the Group had the last five fiscal years open for review for income tax and the last four years for the other taxes applicable to it.

The Parent's directors consider that the tax returns for the abovementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment given to certain transactions, any resulting liabilities would not have a material effect on the accompanying consolidated financial statements.

17. Income and expenses

Net revenue

The breakdown of net revenue by line of business for 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Property sales	68,896	74,124
Real estate project management	8,465	4,449
Provision of asset management services (Note 10)	10,682	10,809
Rent revenue (Note 8)	1,507	840
Total	**89,550**	**90,222**

All the Group's revenue was generated in Spain, principally in the Barcelona and Madrid markets.

(Amounts in thousands of euros)

The proceeds recognised under "Property sales" earned in 2019 include the transfer during the year of a building lot and a building to be built by the Group. In 2019 the public deed of sale of the building lot and new building under construction was executed. The customer will take title to such property through accession. Regarding the sale of the building lot, at 31 December 2019 the outstanding payment is EUR 1,700 thousand, recognised in the accompanying consolidated balance sheet under "Trade receivables for sales and services" inasmuch as, according to the agreement signed, such payment will be collected during the building construction phase once 75% of the project has been completed.

On the other hand, in relation to the future turnkey project to be built, and pursuant to current accounting standards, the Group recognised the income derived from the state of completion of the building at year-end, applying the percentage of completion method based on the proportional costs incurred in the work performed at that date over the total estimated costs. At 31 December 2019 the income recognised amounted to EUR 1,244 thousand with a balancing entry under "Trade receivables for sales and services" since, albeit it corresponds to work completed, at the closing of 2019 it does not fulfil the billing milestone required by contract. The entire project is envisaged to be fully performed and billed during 2020.

Changes in inventories of buildings acquired for refurbishment and/or conversion

The detail of "Changes in inventories of buildings acquired for refurbishment and/or conversion" in the accompanying consolidated statement of profit or loss is as follows:

	Thousands of euros	
	2019	2018
Additions to buildings acquired for refurbishment and/or conversion (Note 11)	(79,800)	(72,625)
Transfer of purchase options (Note 11)	-	(2,124)
Changes in inventories due to additions and transfers	79,800	74,749
Reversal of inventory write-downs (Note 11)	(54,555)	(59,721)
Total	**(54,555)**	**(59,721)**

Staff costs

The detail of "Staff costs" in the consolidated statement of profit or loss is as follows:

	Thousands of euros	
	2019	2018
Wages, salaries and similar expenses	5,370	4,087
Employer social security costs	622	494
Other employee benefits costs	159	72
Total	**6,151**	**4,653**

At 31 December 2019 and 2018, "Other employee benefit costs" included, among others, a total of EUR 152 and EUR 69 thousand corresponding to the amount vested in the year under the deferred share-based payment plans for employees, executives, the CEO and key personnel, as indicated in Note 14.

(Amounts in thousands of euros)

Finance income and finance costs

The breakdown of the finance income and finance costs in 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Finance income:		
Other finance income	49	58
Total finance income	**49**	**58**
Finance costs:		
Interest cost associated with debts to third parties (Note 1)	(745)	(1,691)
On bank and other borrowings	(3,099)	(2,284)
Capitalised borrowing costs (Note 11)	253	618
Total finance costs	**(3,591)**	**(3,357)**
Total financial loss	**(3,542)**	**(3,299)**

18. Related-party transactions and balances

Related party transactions

The breakdown of related-party transactions in 2019 and 2018 is as follows:

2019

	Thousands of euros			
	Sales and services rendered	Services received	Donations	Interest income (expenses)
Other related parties:				
Closa Asociados Correduría de Seguros, S.L.	163	-	-	-
Fundación Renta Corporación	-	-	(197)	-
Nescam 2006, S.L.U.	82	-	-	-
Novidersi, S.L.	1,457	-	-	-
Oravla, S.L.	2	-	-	(61)
Vivenio Residencial SOCIMI, S.A.	9,126	-	-	-
Second House	181	-	-	-
Jose María Cervera / Mercedes Blasco	177	-	-	-
Iglú Verde, S.L.	63	-	-	-
Vivenio Alfa, S.L.	17	-	-	-
Total	**11,268**	-	**(197)**	**(61)**

(Amounts in thousands of euros)

2018

	Thousands of euros			
	Sales and services rendered	Services received	Donations	Interest income (expenses)
Other related parties:				
Ainoa Grandes Massa	-	(12)	-	-
Closa Asociados Correduría de Seguros, S.L.	-	(119)	-	-
Fundación Renta Corporación	-	-	(277)	-
Nescam 2006, S.L.U.	15	-	-	-
Oravla, S.L.	-	(20)	-	(24)
Vivenio Residencial SOCIMI, S.A.	10,794	-	-	-
Total	**10,809**	**(151)**	**(277)**	**(24)**

Related party balances

Detailed below are the balances of related-party balances recognised in the consolidated balance sheets at 31 December 2019 and 2018:

2019

	Thousands of euros			
	Long-term accounts receivable (Note 7)	Trade and other receivables	Other current financial liabilities maturing at long term (Note 12)	Trade and other payables
Other related parties:				
Nescam 2006, S.L.U.	-	17	-	-
Vivenio Residencial SOCIMI, S.A.	7,537	354	-	-
Total	**7,537**	**371**	**-**	**-**

2018

	Thousands of euros			
	Long-term accounts receivable (Note 10)	Trade and other receivables	Other current financial liabilities maturing at long term (Note 15)	Trade and other payables
Group companies and associates:				
Alemina Investments, S.L.	-	-	-	5
Other related parties:				
José Mª Cervera	-	-	-	9
Nescam 2006, S.L.U.	-	18	-	-
Oravla, S.L.	-	-	1,024	-
Vivenio Residencial SOCIMI, S.A.	9,826	361	-	-
Total	**9,826**	**379**	**1,024**	**14**

(Amounts in thousands of euros)

19. Compensation and other benefits of Members of the Board of Directors and Senior Management

The members of the Parent's Board of Directors at 31 December 2019 and 2018 were as follows:

2019

Director	Position	Type
Luis Hernández de Cabanyes	Chairman and CEO	Executive
David Vila Balta	Deputy Chairman and CEO	Executive
Ainoa Grandes Massa	Director	Non-executive independent
Luis Conde Moller	Director	Non-executive independent
Manuel Valls Morató	Director	Non-executive independent
Blas Herrero Fernández	Director	Proprietary
Oravla Inversiones, S.L.	Director	Proprietary
Cristina Orpinell Kristjansdottir	Director	Proprietary
Elena Hernández de Cabanyes	Director	Other non-executive directors

2018

Director	Position	Type
Luis Hernández de Cabanyes	Chairman and CEO	Executive
David Vila Balta	Deputy Chairman and CEO	Executive
Ainoa Grandes Massa	Director	Non-executive independent
Luis Conde Moller	Director	Non-executive independent
Manuel Valls Morató	Director	Non-executive independent
Blas Herrero Fernández	Director	Proprietary
Oravla Inversiones, S.L.	Director	Proprietary
Cristina Orpinell Kristjansdottir	Director	Proprietary
Elena Hernández de Cabanyes	Director	Other non-executive directors

There were no additions during the reporting period 2019. Cristina Orpinell Kristjansdottir was appointed as a proprietary director in 2018.

At 31 December 2019 and 2018, the current members of the Board of Directors held or controlled the following ownership interests:

	2019			2018		
	Direct	**Indirect**	**Total**	**Direct**	**Indirect**	**Total**
Luis Hernández de Cabanyes (*)	0.89%	20.14%	21.03%	0.89%	20.64%	21.53%
Oravla Inversiones, S.L.	5.00%	-	5.00%	5.00%	-	5.00%
Ainoa Hernández de Cabanyes	1.63%	-	1.63%	1.63%	-	1.63%
David Vila Balta (*)	0.28%	-	0.28%	0.54%	-	0.54%
Manuel Valls Morató	0.08%	-	0.08%	0.08%	-	0.08%
Ainoa Grandes Massa	0.06%	-	0.06%	0.06%	-	0.06%

(*) Executive directors

(Amounts in thousands of euros)

Pursuant to Article 229 of the Spanish Companies Law, at the end of 2019 the Parent's directors did not communicate to the other Board members any situation of direct or indirect conflict of interest that they or any persons related to them, as defined in the aforementioned Law, might have with the Parent.

Directors' remuneration

The detail of the remuneration earned at the Renta Corporación Group in 2019 and 2018 by the members of the Board of Directors of the Parent is as follows:

	Thousands of euros	
	2019	2018
Remuneration earned by executive directors (*)	1,041	872
Remuneration for attendance of Board meetings	171	161
Remuneration for participation in Executive Committees	76	76
Total	**1,288**	**1,109**

(*) Including the remuneration earned by the directors for discharging senior executive duties. Including the deferred share-based payment plan of the Deputy Chairman and CEO.

At the end of 31 December 2019 and 2018, the Parent had arranged a third-party liability insurance policy for all the Group's directors, senior executives and employees, the premium for which amounted to EUR 59 thousand in both years. This amount includes, for both 2019 and 2018, the premium paid under the third-party liability insurance policy for damages caused by acts or omissions. In 2019 and 2018 the Group did not pay any health or life insurance premiums in relation to the Parent's senior executives and executive directors.

The Group has not granted any loans to, or arranged any additional pension plans or life insurance policies for, the members of the Parent's Board of Directors.

At 31 December 2019 and 2018, two members of the Board of Directors had signed guarantee or golden parachute clauses for certain cases of termination or change of control, both of which have been approved by the shareholders.

Also, in 2019 and 2018 there was no conclusion, amendment or early termination of any contract between the Parent and the members of its Board of Directors or any persons acting on their behalf affecting operations outside the course of the Parent's ordinary business operations.

Remuneration of senior executives

According to the definition of senior executives in the Unified Good Governance Code, the Parent's key executives are those people who form part of senior management, specifically the two executive directors and the Corporate General Manager.

The remuneration of senior executives in 2019 amounted to EUR 1,426 thousand, of which EUR 1,041 thousand correspond to remuneration of the executive directors (2018: EUR 1,142 thousand and EUR 872 thousand, respectively).

The remuneration described above includes, for 2019, the delivery of 15,232 shares amounting to EUR 59 thousand to the CEO (2018: 8,539 shares amounting to EUR 33 thousand), and of 8,114 shares amounting to EUR 32 thousand to the Corporate General Manager (2018: 4,269 shares amounting to EUR 16 thousand), by virtue of the deferred share-based payment plans established by the Group as specified in Note 14.

(Amounts in thousands of euros)

Under these plans, the shares to be delivered to the Parent's CEO and Corporate General Manager amount to 41,774 and 30,385 shares, respectively, for 2020-2024 (37,006 and 18,500 shares, respectively, at 31 December 2018 for 2019-2020).

At 31 December 2019 and 2018, the two executive directors of the senior management had signed guarantee or golden parachute clauses for certain cases of termination or change of control, both of which had been approved by the shareholders.

20. Other disclosures

Employees

The number of employees at the Group at 31 December 2019 and 2018 and the average number of employees in both years, by category and gender, are as follows:

	Number of employees at 31 December				Average number of employees in 2019		Average number of employees in 2018	
	2019		2018					
Professional category	Men	Women	Men	Women	Men	Women	Men	Women
Executives	3	-	3	-	3	-	3	-
Graduates, line personnel and clerical staff	19	24	15	23	19	24	13	22
Total	**22**	**24**	**18**	**23**	**22**	**24**	**16**	**22**

Additionally, at 31 December 2019 and 2018, the Parent had one employee with a disability equal to or greater than 33%.

Fees paid to auditors

In 2019 and 2018 the fees for financial audit and other services provided by the auditor of the Group's financial statements (Deloitte, S.L.), by a company in the same group or by a company related to the auditor were as follows:

Description	Thousands of euros	
	2019	2018
Audit services	88	72
Other verification services	56	11
Total audit and related services	**144**	**83**
Other attest services	-	61
Total professional services	**-**	**61**

(Amounts in thousands of euros)

21. Average period of payment to suppliers

Set forth below are the disclosures required by Final Provision Two of Law 31/2014, of 3 December, amending the Spanish Companies Law to improve corporate governance, and which amended Additional Provision Three of Law 15/2010, of 5 July, amending Law 3/2004, of 29 December, which sets forth measures for combating late payment in commercial transactions, all in accordance with the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 on the disclosures to be included in the notes to the financial statements on the average payment period to suppliers in the commercial transactions of the various Spanish Group companies.

	2019	2018
	Days	Days
Average period of payment to suppliers	3	4
Ratio of transactions settled	3	4
Ratio of transactions not yet settled	37	3
Total payments outstanding	918	3,457

	Amount (Thousands of euros)	Amount (Thousands of euros)
Total payments made	102,032	83,056
Total payments outstanding	918	3,457

Pursuant to ICAC Resolution, the business transactions involving delivery of goods or services accrued as from the entry into force of Law 31/2014, of 3 December, were taken into account to calculate the average period of payment to suppliers.

For the sole purpose of the disclosures provided for in the Resolution, suppliers are considered to be the trade creditors for the supply of goods or services included in “Payable to suppliers” and “Sundry accounts payable” under “Current liabilities" in the balance sheet.

“Average period of payment to suppliers” is taken to be the period that elapses from the delivery of the goods or the provision of the services by the supplier to the effective payment of the transaction.

The average period of payment to suppliers was calculated as the quotient whose numerator is the sum of the ratio of transactions settled and the total amount of payments made plus the ratio of transactions not yet settled multiplied by the total amount of payments outstanding at year-end, and whose denominator is the result of adding the total amount of payments made to the total amount of payments outstanding at year-end.

The ratio of transactions settled was calculated as the quotient whose numerator is the result of the sum of the products of multiplying the amounts paid by the number of days of payment (the number of calendar days between the receipt of the invoice and the date of effective payment of the transaction) and whose denominator is the total amount of the payments made in the year.

Also, the ratio of transactions not yet settled was calculated as the quotient whose numerator is the result of the sum of the products of multiplying the amounts of the transactions not yet paid by the number of days in which payment has not been made (the number of calendar days between the receipt of the invoice and the accounting close) and whose denominator is the total amount of the payments made at year-end.

Law 11/2013 on measures to support entrepreneurs and to foster business growth and the creation of employment, amending Law 3/2004, of 29 December, on combating late payment in commercial transactions, came into force on 26 July 2013. These amendments establish that the maximum period for payments to suppliers will be 30 days from 29 July 2013 onwards, unless there is an agreement between the parties increasing this period to a maximum of 60 days.

22. Subsequent events

No events took place after 31 December 2019 that might have a significant impact on these consolidated financial statements other than the events described herein.

(Amounts in thousands of euros)

APPENDIX I
SUBSIDIARIES

	% of ownership				31/12/2019			31/12/2018			Shareholder	Activity
	Direct		Indirect		Thousands of euros			Thousands of euros				
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	Capital	Reserves	Profit(loss)	Share capital	Reserves	Profit(loss)		
Renta Corporación Real Estate ES, S.A.U. (*) Via Augusta 252 – 260, 5ª planta - 08017 Barcelona · España	100%	100%	-	-	204	30,440	3,399	204	23,706	6,677	-	2
Linwork Properties SOCIMI, S.A. (**) Via Augusta 252 – 260, 5ª planta - 08017 Barcelona · España	100%	-	-	-	200	-	(53)	n/a	n/a	n/a	-	3
Vía Augusta Adquisiciones, S.L.U. (**) Via Augusta 252 – 260, 5ª planta - 08017 Barcelona · España	-	-	100%	100%	3	(3)	56	3	(2)	(1)	Renta Corporación Real Estate ES, S.A.U.	1

(*) Company audited by Deloitte, S.L.
(**) Unaudited company.
(1) Business: Buildings.
(2) Business: Buildings, land and provision of services.
(3) Business: Buildings rental.

(Amounts in thousands of euros)

APPENDIX II
JOINT VENTURES

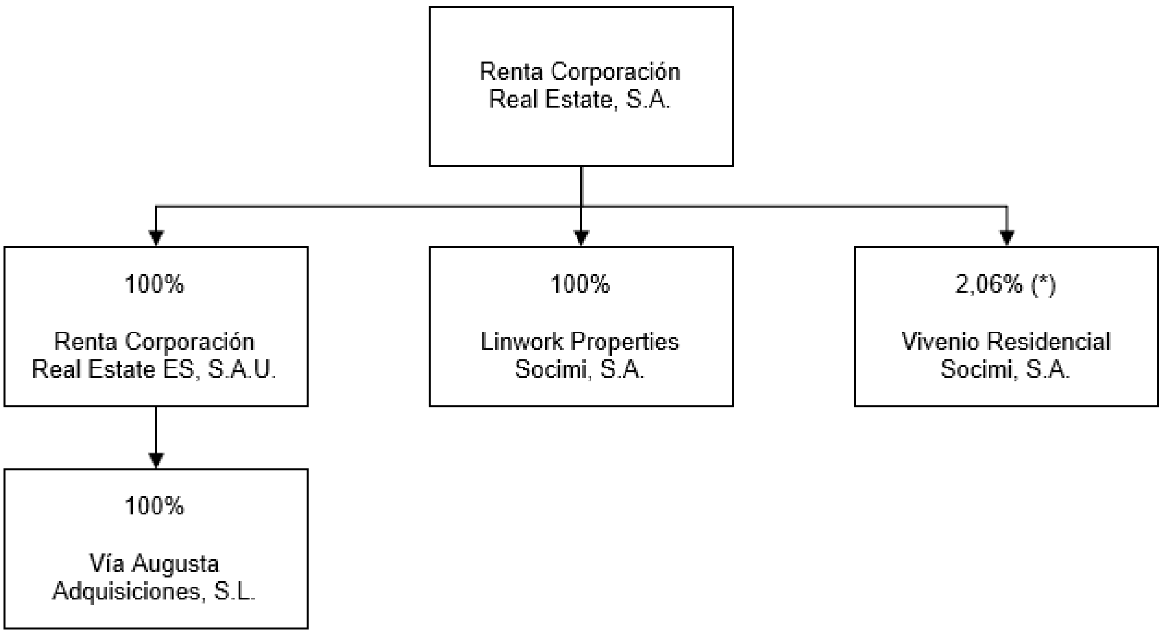
	% of ownership				31/12/2019			31/12/2018			Shareholder	Activity
	Direct		Indirect		Thousands of euros			Thousands of euros				
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	Capital	Reserves	Profit(loss)	Share capital	Reserves	Profit(loss)		
Alemina Investments, S.L. (*) Serrano, 41, 4º - Madrid	Liquidated	10%	Liquidated	-	n/a	n/a	n/a	211	95	(30)	-	1

(*) Unaudited company.
(1) Business: Buildings.

1. <u>Situation of the Group</u>

Renta Corporación is a real estate group with more than 25 years' experience in the industry. It operates mainly in the Madrid and Barcelona markets.

The corporate structure of the Renta Corporación Group is as follows:



(*) The percentage of ownership does not include the collection rights of EUR 7.5 million pending conversion into shares, which will take place in 2020.

The Group divides its activities into two business units: Transaction Management and Asset Management.

Transaction Management

The Transaction Management business consists in adding value to the various asset-related transactions. Value added is generated by converting properties, usually through a change/redistribution of use, physical improvements and market repositioning by increasing the returns on the properties.

Specifically, the Transaction Management business aims to create value by carrying out the following activities, both in combination and individually:

- Conversion design
- Subdivision or aggregation of units
- Partial or full refurbishing
- Tenant management (negotiation with tenants)
- Change/redistribution of use
- Legal improvements

The Group's extensive knowledge of demand, on the one hand, and of the supply in the markets in which it operates, on the other, allows it to identify opportunities to create value with its transactions. The Group designs the projects from start to finish, which, depending on the project, are then executed by the Group or by the buyer on its own account.

In general, the Group acquires the right to purchase a property for a period of time, during which it designs and executes the value creation project.

The Transaction Management business is divided into two business lines:

a. Property Sales

Renta Corporación buys a building, refurbishes it and sells it to a third party, with the entire process being reflected in the Group's consolidated balance sheet. The average lead time of these projects is around 12 months.

b. Real Estate Project Management

Renta Corporación acquires the right to purchase a property, designs the entire conversion of the project and then sells the project to a third party. In this case, therefore, the process is not reflected in the Group's consolidated balance sheet. The proposed improvements and conversions may be carried out by the Group at the buyer's request, or by the buyer itself.

The typical lead time of these projects is usually lower than that for the sale of property.

Asset Management

In 2017 Renta Corporación established a new business line dedicated to the creation and management of property portfolios, which in April of that year resulted in the creation, in partnership with the pension fund APG, of the REIT Vivenio, which specialises in the residential rental segment in Spain.

Renta Corporación is a shareholder and the sole manager of this investment vehicle, whose activity is mainly focused on Madrid and Barcelona, although some investments have already been made in other Spanish capital cities as well. By adding this new business line, the company has expanded its target market and obtains increased more recurrent revenue.

APG, the controlling shareholder of the REIT with an interest over 95% of the share capital, is one of the world's largest pension funds, with a long track record in the residential real estate sector. APG has landed in the Spanish market through this vehicle in partnership with Renta Corporación, given the huge synergy potential between both companies and the high penetration of Renta Corporación in the domestic market.

The company continues making progress in implementing two investment vehicles specialised in the acquisition of real estate assets in Spain, one of them aimed at office and logistic buildings and the other at hotel properties.

Also, and although it is not considered a business line as such, the Group manages lease residential properties that it owns.

At organisational level, Renta Corporación is headed by its managing bodies, namely the Board of Directors, the Audit Committee and the Appointments and Remuneration Committee. In addition, there is a Management Committee at internal level that, among other functions, reviews and approves the selection of projects to be undertaken and included in the Group's investment portfolio. The transaction review and approval process is highly streamlined to allow the Renta Corporación Group to seize the opportunities identified in the market, which is part of the Group's competitive advantage.

2. ***Business performance and results***

Renta Corporación ended 2019 with **net profit** of EUR 17.1 million, thus outstripping its 2018 profit of EUR 16.6 million by 3%.

Operating income in 2019, which includes sales and income from project management, provision of services and rentals, amounted to EUR 90.1 million against EUR 90.4 million in 2018. In addition, the **changes in fair value of investment property** in 2019 amounted to EUR 1.9 million, up from EUR 2.0 million in 2018.

The Group's **staff costs** amounted to EUR 6.1 million in 2019, up from EUR 4.7 million in 2018.

EBITDA is calculated excluding the profit from operations and including the revaluation of investment property. Overhead costs increased below the margin from operations. Accordingly, EBITDA rose to EUR 21.0 million vis-á-vis EUR 19.7 million in 2018.

Consolidated profit from operations, including the changes in fair value of investment property, amounted to EUR 20.7 million, up from EUR 19.4 million in 2018. This increase derived mainly from the improved operating margin.

The **net financial loss** for 2019 was EUR 3.5 million, reporting an increase of EUR 0.2 million against 2018. Finance cost rose by EUR 1.4 million compared to 2018 as a result of increased activity and the leverage ratio in 2019. On the other hand, a EUR 1.2 million improvement was reported in 2019 against 2018, due mainly to the recognition in 2018 of an additional expense arising from the one-off payment of the participating loan.

The diversification of financing sources, which had already started in 2018 through bond issues, continued in 2019 and allowed for greater and faster access to financing and a reduction in the average cost of debt.

On 25 March 2019 the Parent placed a promissory note programme on the Alternative Fixed-Income Market (MARF, Spanish acronym) with a maximum outstanding balance of EUR 30,000 thousand valid for 12 months. The nominal interest rate and maturity date of the promissory notes will be established on each issue date. The maximum maturity or repayment term of the promissory notes within the scope of the aforementioned programme will be two years from their issue date.

(Amounts in thousands of euros)

At 31 December 2019 the amount drawn by the Group under said programme totalled a par value of EUR 12,900 thousand at an interest rate between 1.25% and 4.00%.

Renta Corporación recognised an **income tax** expense of EUR 0.1 million in the period, which arose as a net result of the following:

- An income tax expense of EUR 3.1 million derived from the Group's current activity.

- Recognition of a tax asset and a deferred tax asset with a total positive impact of EUR 3.0 million on the consolidated statement of profit or loss, relating to a) tax loss carryforwards; and b) finance costs not deducted in prior years that are expected to be recovered within the next five years.

Consequently, Renta Corporación ended 2019 with **net profit of EUR 17.1 million**, up 3% on the consolidated net profit of EUR 16.6 million in 2018.

Non-current assets amounted to EUR 73.3 million, with a year-on-year increase of EUR 14.3 million compared to December 2018, due mainly to the following:

(Millions of euros)	**Dec. 19**	**Dec. 18**	**Change**
Fixed assets and rights of use	1.7	0.3	1.4
Investment property	23.6	21.7	1.9
Interests in investment vehicles	13.4	3.0	10.4
Long-term accounts receivable	7.6	9.9	-2.3
Deferred tax assets	27.0	24.1	2.9
Total non-current assets	**73.3**	**59.0**	**14.3**

- An increase in fixed assets and rights of use amounting to EUR 1.4 million compared to December 2018, due chiefly to the first application of IFRS 16 on the recognition of leases. The balancing item is recorded under current and non-current payables.

- The increase in the fair value of investment property from EUR 21.7 million in 2018 to EUR 23.6 million in 2019.

- An increase in equity instruments arising mainly from the aggregate effect of converting credits into Vivenio's shares in the amount of EUR 9.8 million, the gross revaluation of Vivenio's shares for EUR 0.5 million, and the incorporation of Linwork Properties SOCIMI, S.A.U. during the period.

- The net reduction in long-term accounts receivable amounting to EUR 2.3 million is owed to the aggregate effect of:

  a) An increase in the services billed to Vivenio and the incentive fee accrued in 2019 that, as per the management contract executed with the Parent, will be collected upon delivery and issue by Vivenio of a certain number of new shares in an equivalent company at the nominal value of the account receivable on the related accrual date in the amount of EUR 7.5 million.

(Amounts in thousands of euros)

b) The conversion into shares of the services and the incentive fee accrued in 2018 totalling EUR 9.8 million.

- An increase in "Deferred tax assets" of EUR 2.9 million. The total net "Deferred tax assets" recognised totals EUR 27.0 million, mainly on account of tax loss carryforwards to be offset over the next periods, with EUR 59.0 million tax losses pending recognition.

Inventories amounted to EUR 88.3 million, up EUR 30.9 million in 2018, due mainly to the investment in new asset purchases and the conversion of portfolio assets, offset in part by the sales in 2019. This figure includes net purchase options totalling EUR 7.3 million on assets amounting to EUR 148.4 million.

At year-end, the Group's business portfolio, meaning its investment rights and inventories for sale, amounted to EUR 211.3 million.

The detail of "**Trade and other receivables**" is as follows:

(Millions of euros)	**Dec. 19**	**Dec. 18**	**Change**
Trade receivables and notes receivable	7.1	1.1	6.0
Other accounts receivable from public authorities	1.1	2.2	-1.1
Other receivables	2.5	2.7	-0.2
Total trade and other receivables	**10.7**	**6.0**	**4.7**

At the closing of 2019 the balance of trade and other receivables was EUR 10.2 million. This balance is broken down into three headings:

- Trade receivables and notes receivable: there was an increase of EUR 6.0 million due to the deferred collection of sales performed in the last quarter.

- Other accounts receivable from public authorities: other accounts receivable from public authorities fell by EUR 1.1 million in favour of Renta Corporación, as compared with December 2018, due to the refund of income tax from prior years.

- Other receivables: this item fell by EUR 0.2 million year-on-year, due mainly to the variation of the purchase option amounts and purchase costs deposited with notaries.

Equity totalled EUR 75.8 million at 31 December 2019, up EUR 14.3 million on the equity of EUR 61.5 million at 31 December 2018. The most significant changes were as follows:

- Generation of the profit for the year of EUR 17.1 million.

- Approval by the Annual General Meeting held on 11 April 2019 of a final dividend on 2018 profit amounting to EUR 1.9 million and paid out on 30 April 30 2019.

- Approval by the Board of Directors on 23 October 2019 of the payment of an interim dividend of EUR 1.2 million paid out on 15 November 2019.

(Amounts in thousands of euros)

- Net revaluation of the shares of Vivenio based on the market price of its shares at 31 December 2019, amounting to EUR 0.4 thousand (net).

(Millions of euros)	Dec. 19	Dec. 18	Change
Share capital and reserves	59.2	45.7	13.5
Interim dividend	-1.2	-1.1	-0.1
Valuation adjustments	0.7	0.3	0.4
Profit for the year	17.1	16.6	0.5
Equity	**75.8**	**61.5**	**14.3**

Non-current payables other than marketable securities and bank borrowings are as follows:

(Millions of euros)	Dec. 19	Dec. 18	Change
Long-term Arrangement with Creditors	1.4	1.7	-0.3
Deferred taxes	2.3	1.7	0.6
IFRS 16 Leases	1.1	0.0	1.1
Total non-current payables	**4.8**	**3.4**	**1.4**

- Long-term Arrangement with Creditors: this item reflects the debt held with pre-insolvency creditors amounting to EUR 1.4 million, to be paid in the next three years. The debt has been discounted at the effective market interest rate, which has been and will be reversed over the years in which the debt is paid.

- Deferred taxes: this item stood at EUR 2.3 million, up EUR 0.6 million in 2018 due mainly to the revaluation of investment property.

- Non-current finance leases: this item totalled EUR 1.1 million and results from the first application of IFRS 16 on the recognition of leases.

Current payables other than financial liabilities amount to:

(Millions of euros)	Dec. 19	Dec. 18	Change
Current payables	5.6	8.2	-2.6
Down payments for pre-sales and unearned income	2.4	1.3	1.1
Other current payables	2.3	1.9	0.4
IFRS 16 Leases	0.2	-	0.2
Total other payables	**10.5**	**11.4**	**-0.9**

(Amounts in thousands of euros)

- *Current payables* amounted to EUR 5.6 million, falling EUR 2.6 million vis-á-vis the closing of 2018. This item is comprised of the creditors related to the purchase, conversion and sale operations performed by the Group.

- *Down payments for pre-sales and unearned income* stood at EUR 2.4 million, up EUR 1.1 million at the closing of 2018, and will result in future revenue of EUR 11.7 million in Madrid, and of EUR 4.0 million in Barcelona.

- *Other current payables* totalled EUR 2.3 million, with a EUR 0.4 million increase vis-à-vis 2018; this item is mainly composed of current tax payables.

Total **net borrowings** amounted to EUR 81.2 million, up EUR 35.1 million in 2018 due fundamentally to the increased financing of new transactions and the issue of promissory notes.

(Millions of euros)	**Dec. 19**	**Dec. 18**	**Change**
Mortgages	35.6	18.9	16.7
Other borrowings	34.0	19.1	14.9
Participating loan	17.3	16.9	0.4
Total financial debt	**86.9**	**54.9**	**32.0**
(−) Cash and financial assets	-5.7	-8.8	3.1
Total net financial debt	**81.2**	**46.1**	**35.1**

3. *Matters relating to the environment and employees*

Environment

The Group's activities do not have a significant environmental impact. Renta Corporación has adopted appropriate measures in relation to environmental protection and enhancement and the minimisation, where necessary, of its environmental impact, and is in compliance with current environmental legislation. The Group did not deem it necessary to recognise any provisions for environmental contingencies and charges since there are no contingencies relating to environmental protection or improvement or any liability of an environmental nature.

Employees

The Group's employees stand out for their high level of training and specialisation. Renta Corporación sees its employees as the foundation of value creation and the key to achieving business excellence. The contribution of the Group's professionals has been acknowledged and cultivated as a key success factor from day one. In this regard, the Group places special emphasis on maintaining an effective, streamlined and flexible organisation, with a procedural and systems-based working environment and easy access to know-how, and it does its best to facilitate the work-life balance of its employees, in accordance with its human resources policy.

4. ***Liquidity and capital resources***

Liquidity and capital resources

In 2019, in addition to the loans obtained to buy and refurbish properties and the individual loans and bonds, the aforementioned promissory note programme was implemented as a source of financing. At present the Parent obtains financing to cover around 70% of the purchase cost of its acquisitions, and it can finance almost 100% of the capital expenditure when the Parent decides to finance this subsequent investment, required to create value.

The Parent's financing instruments are mortgage loans for buying and refurbishing properties.

Analysis of contractual obligations and off-balance sheet transactions

The Group did not have any contractual obligations at 31 December 2019 that might give rise to a future cash outflow, other than the obligations related to its core business.

At 31 December 2019, the Group had not performed any significant off-balance sheet transactions that had, or could foreseeably have, an effect on the Group's financial position, income and expense structure, the results of its operations, its liquidity, capital expenditure or equity.

In any case, it should be noted that Renta Corporación has off-balance sheet tax losses of EUR 59.0 million that, if recognised, would constitute a tax asset of EUR 14.8 million. This means that its income tax expense would be lower in the coming years.

5. ***Main risks and uncertainties***

Financial risk factors

The Group's activities are exposed to various financial risks: market risk, including foreign currency risk and interest rate risk, credit risk and liquidity risk. The Group's global risk management programme focuses on the uncertainty of the financial markets and aims to minimise the potential adverse effects on its earnings.

Risk management is controlled by the Group's Financing and Treasury Departments in accordance with the policies approved by the Board of Directors. These departments identify, assess and hedge financial risks in close cooperation with the Group's operating units. Renta Corporación's Board of Directors sets policies for global risk management, as well as for the management of foreign currency risk, interest rate risk, liquidity risk, the use of derivative and non-derivative instruments and investment of surplus liquidity.

Market risk: foreign currency risk

The Group defines foreign currency risk as the potential negative impact of changes in exchange rates on its results, equity or cash flows.

The Group's exposure to this type of risk is scant, since it does not have any international subsidiaries nor does it perform any transactions in currencies other than the euro.

Market risk: interest rate risk

The Group currently finances its activities through a participating loan, mortgage loans that bear floating market interest rates and individual loans, and through the issue of promissory notes and five-year unsecured ordinary bonds. The Parent issued bonds on 2 October 2018 in the amount of EUR 16.5 million with a coupon rate of 6.25%.

At 31 December 2019 the amount drawn by the Group under the abovementioned programme totalled a par value of EUR 12,900 thousand at an interest rate between 1.25% and 4.00%.

The Group has a participating loan of EUR 18.2 million, secured by a mortgage on the Cánovas asset (see Note 1). This participating loan bears a floating interest rate tied to Euribor plus a spread between 1% and 3%, depending on the Group's consolidated net profit, provided that it exceeds at least EUR 10.0 million. If the consolidated net profit is less than EUR 10.0 million, no floating interest will accrue. In 2019 and 2018 this loan bore interest at Euribor plus a 1% spread.

The interest rate risk is managed in accordance with the policies approved by the Board of Directors, which establish whether or not hedging instruments must be maintained to minimise the impact of interest rate volatility. To date, the Renta Corporación Group has no interest rate hedge arrangements in place.

However, the favourable interest rate terms established in the Arrangement with Creditors and the fixed coupon rate borne by the bonds provide a natural hedge against volatility and, therefore, it is not necessary to arrange any forward rate agreements.

Credit risk

Credit risk refers to both the ability to obtain financing and the ability to access cash and deposits with banks and financial institutions, as well as collections from customers, including outstanding accounts receivable and committed transactions.

In 2019 the obtainment of financing remained a priority for the Group, which managed to improve its access to financing and acquire mortgages for certain real estate projects, which demonstrates that banks are more open to financing real estate projects.

To date, the Group has not had any difficulty collecting the receivables arising from the transactions in 2019, due both to a lack of late payments and to its ability to enforce the guarantees securing these collections.

Liquidity risk

The Group's ability to secure new financing depends on a large number of factors, some of which are beyond its control, such as the general state of the economy, the availability of credit from banks and the monetary policies in place.

Worthy of mention in this connection is the arrangement of various mortgage transactions in 2019 and 2018, with several Spanish banks. These mortgages financed real estate projects corresponding to the Renta Corporación Group's business model: property purchases, refurbishing and sales in fractions in a time frame of less than two years.

Furthermore, Renta Corporación continues to explore new sources of financing, such as the aforementioned issue of bonds and promissory notes. The possibility of forging different types of financial partnerships could also be explored, which will allow the Group to expand its financing sources in order to carry out larger-scale projects with greater margins in the future.

Capital risk management

Exposure to capital risk is determined by the difficulty of maintaining sufficient levels of equity and borrowings to continue operating as a going concern, of generating returns for shareholders and other equity instrument holders, and of maintaining an optimal capital structure to contain or reduce the cost of capital.

6. *Outlook for the Group*

On 26 February 2020, the Board of Directors approved the 2020-2024 strategic plan. Under this plan, the Group has continued to develop its asset management business model, incorporating new leased asset management vehicles in non-residential segments. The update of the strategic plan for 2020-2024 is based on the following:

- A context characterised by increased access to financing.

- A forward-looking approach aimed at strengthening the Group's market position while continuing its growth trend by means of the following:

  a) Improving the Group's operating margin by increasing the number of transactions and, in particular, the average scale thereof.

  b) Maintaining cost control, adapting the structure to the expected level of activity and exploring the possibility of outsourcing certain services.

  c) Expanding the business model through the incorporation of two new business lines engaging in the management of both Group and third-party assets for non-residential use. As with the REIT Vivenio, these business lines will materialise through an external vehicle, which will guarantee a greater and more regular source of income.

Vivenio commenced operations in 2017 and was created jointly with the Dutch company APG, which is the majority shareholder with an interest of over 95%, while Renta Corporación Real Estate, S.A. is a shareholder and the sole manager. Vivenio's operations have become a significant business line for Renta Corporación. During this period, Renta Corporación recognised revenue from managing Vivenio of EUR 10.7 million, in line with the EUR 10.8 million earned in 2018.

In 2019 Vivenio purchased eight new residential operating properties and two building lots for future development. It has also committed to purchase a turnkey property. All these assets are located in Barcelona and Madrid and the aggregate purchase amount totals EUR 360.0 million.

7. *Disclosures on periods of payment to suppliers*

The average period of payment to suppliers at 31 December 2019 was three days.

8. *Research and Development*

The Company did not incur any research and development expenditure in 2019.

9. Treasury shares and stock market information

In 2019 a total of 90,106 treasury shares were acquired, 62,208 were sold and 80,171 were delivered to employees, all amounting to EUR 0.2 million and being recognised under "Other employee benefit costs" and "Non-current investments in group companies and associates".

At 31 December 2019, the Parent held a total of 712,578 treasury shares against 764,851 shares at the closing of 2018. The par value of such shares amounts to EUR 0.7 million.

At 31 December 2019, the market price of the shares was EUR 3.15 per share, down 1% on the EUR 3.19 per share at 31 December 2018.

Market capitalisation at 31 December 2019 stood at EUR 103.6 million, with 12.6 million shares traded in the year for a total of EUR 44.8 million.

The Parent has a liquidity agreement that was formalised in November 2019 with the sole purpose of favouring the liquidity and regular market price of its shares within the limits set by the Annual General Meeting.

On 14 June 2019 the Technical Advisory Committee included Renta Corporación in the Ibex Small Cap index.

10. Events after the reporting period

No significant events took place after the reporting period that might have a material impact on these consolidated financial statements other than those disclosed in the notes to the consolidated financial statements.

11. Annual Corporate Governance Report

The Corporate Governance Report, attached as an Appendix hereto, is comprised of 66 pages and includes as an integral part other attached disclosures on six sheets.

Renta Corporación Real Estate, S.A. and Subsidiaries
Authorisation for issue of the 2019 consolidated financial statements

On 26 February 2020, the Board of Directors of Renta Corporación Real Estate, S.A., in accordance with the corporate legislation in force, authorised for issue the consolidated financial statements at 31 December 2019 and the consolidated directors' report for 2019, which comprise the documents preceding this certificate: consolidated balance sheet (page 1), consolidated statement of profit or loss (page 2), consolidated statement of changes in equity (pages 3 and 4), consolidated statement of cash flows (page 5), notes to the consolidated financial statements (pages 6-65), and consolidated directors' report (pages 66-76), all of which have been signed for identification purposes by the Secretary of the Board of Directors, José María Cervera Prat.

Luis Hernández de Cabanyes
Chairman and CEO

David Vila Balta
Deputy Chairman and CEO

Ainoa Grandes Massa
Director

Blas Herrero Fernández
Director

Elena Hernández de Cabanyes
Director

Manuel Valls Morató
Director

Luis Conde Moller
Director

Oravla Inversiones, S.L.
Baldomero Falcones
Director

José Mª Cervera Prat
Non-director Secretary

Cristina Orpinell Kristjansdottir
Director