Renta Corporación Real Estate, S.A. and Subsidiaries

Consolidated Financial Statements
for the year ended
31 December 2020
prepared in accordance with the
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 2020

(Thousands of euros)

ASSETS	Notes	31/12/2020	31/12/2019
NON-CURRENT ASSETS:			
Intangible assets		**345**	**402**
Property, plant and equipment-		**188**	**188**
Plant and other property, plant and equipment		188	188
Rights of use	**Note 7**	**912**	**1,094**
Investment property	**Note 8**	**24,023**	**23,578**
Non-current financial assets-	**Note 10**	**21,376**	**21,022**
Equity instruments		20,538	13,397
Non-current accounts receivable	Notes 10 and 18	722	7,537
Other financial assets		116	88
Deferred tax assets	**Note 16**	**27,244**	**27,055**
Total non-current assets		**74,088**	**73,339**
CURRENT ASSETS:			
Inventories-	**Note 11**	**65,195**	**88,308**
Land and building lots		18,115	18,115
Buildings acquired for refurbishment and/or conversion		40,918	62,916
Purchase options and supplier advances		6,162	7,277
Trade and other receivables-		**4,298**	**10,672**
Trade receivables for sales and services	Note 12	3,018	7,139
Sundry accounts receivable	Note 12	658	2,465
Employees		—	2
Other accounts receivable from public authorities	Note 16	622	1,066
Current financial assets-		**542**	**372**
Loans to third parties		—	6
Other financial assets		542	366
Cash and cash equivalents	**Note 13**	**7,677**	**5,353**
Cash		7,677	5,353
Total current assets		**77,712**	**104,705**
TOTAL ASSETS		**151,800**	**178,044**

EQUITY	Notes	31/12/2020	31/12/2019
EQUITY AND LIABILITIES:			
SHAREHOLDERS' EQUITY-		**66,538**	**75,129**
Share capital-		**32,888**	**32,888**
Registered share capital		32,888	32,888
Share premium		89,913	89,913
Reserves of Parent		19,940	20,681
Prior years' losses of the Parent		(61,688)	(78,256)
Consolidated reserves		(4,057)	(3,404)
Treasury shares		(1,656)	(2,608)
Consolidated profit/(loss) for the year attributable to the Parent		(8,802)	17,115
(Interim dividend)		—	(1,200)
VALUATION ADJUSTMENTS-		**292**	**712**
Equity instruments at fair value	Note 10	292	712
Total equity	**Note 14**	**66,830**	**75,841**
NON-CURRENT LIABILITIES:			
Non-current payables-	**Note 15**	**40,882**	**42,058**
Non-current debt instruments and other marketable securities		16,033	16,185
Bank borrowings		22,930	23,337
Other financial liabilities		1,919	2,536
Deferred tax liabilities	**Note 16**	**2,290**	**2,276**
Total non-current liabilities		**43,172**	**44,334**
CURRENT LIABILITIES:			
Current payables-	**Note 15**	**33,916**	**47,582**
Current debt instruments and other marketable securities		5,020	12,678
Current bank borrowings maturing at long-term		18,692	27,853
Current bank borrowings		1,753	2,142
Other current financial liabilities maturing at long-term		—	4,500
Other current financial liabilities		8,451	409
Trade and other payables-		**7,882**	**10,287**
Sundry payables		4,208	5,571
Remuneration payable		331	138
Other accounts payable to public authorities	Note 16	2,163	2,221
Customer advances		1,180	2,357
Total current liabilities		**41,798**	**57,869**
TOTAL EQUITY AND LIABILITIES		**151,800**	**178,044**

The accompanying Notes 1 to 22 and the Appendices are an integral part of the consolidated balance sheet at 31 December 2020.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2020
(Thousands of euros)

	Notes	2020	2019
CONTINUING OPERATIONS:			
Revenue	Note 17	44,519	89,550
Other operating income		1,115	578
Changes in inventories of buildings acquired for refurbishment and/or conversion	Note 17	(31,689)	(54,555)
Purchases	Note 11	(936)	—
Staff costs	Note 17	(5,754)	(6,151)
Other operating expenses	Note 17	(13,128)	(10,289)
Depreciation and amortisation charge		(304)	(300)
Consolidated profit/(loss) from operations		**(6,177)**	**18,833**
Changes in fair value of investment property	Note 8	445	1,899
Finance income	Note 17	1,069	49
Finance costs	Note 17	(4,182)	(3,591)
Impairment and gains or losses on disposals of financial instruments		—	6
Consolidated profit/(loss) before tax		**(8,845)**	**17,196**
Income taxes	Note 16	43	(81)
Consolidated profit/(loss) for the year		**(8,802)**	**17,115**
Consolidated profit/(loss) for the year attributable to the Parent		**(8,802)**	**17,115**
Consolidated profit/(loss) for the year attributable to non-controlling interests		**—**	**—**
Basic earnings per share (euros)	**Note 5**	**(0.27)**	**0.53**
Diluted earnings per share (euros)	**Note 5**	**(0.27)**	**0.53**

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 2020.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

(Thousands of euros)

	2020	2019
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR (I)	**(8,802)**	**17,115**
OTHER COMPREHENSIVE INCOME:		
Total other comprehensive income recognised directly in consolidated equity (II)	**(420)**	**400**
Items that cannot be reclassified to the consolidated statement of profit or loss:		
- On valuation of financial instruments	**(560)**	**533**
Equity instrument s at fair value through consolidated statement of comprehensive income	(560)	533
- Tax effect	**140**	**(133)**
Total transfers to consolidated profit or loss (III)	**—**	**—**
Other consolidated comprehensive income (I+II+III)	**(9,222)**	**17,515**
Total other comprehensive income attributable to the Parent	**(9,222)**	**17,515**
Total other comprehensive income attributable to non-controlling interests	**—**	**—**

The accompanying Notes 1 to 22 and the Appendices are an integral part of the consolidated statement of other comprehensive income for the year ended 31 December 2020.

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

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

(Thousands of euros)

	Share capital	Share premium	Reserves of the Parent	Prior years' losses of the Parent	Consolidated reserves	Treasury shares	Net consolidated profit/(loss) for the year attributable to the Parent	Interim dividend	Valuation adjustments	Total
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 comprehensive income	—	—	—	—	—		17,115	—	400	17,515
Distribution of 2018 profit/(loss)	—	—	—	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**
Total comprehensive income	—	—	—	—	—	—	(8,802)	—	(420)	(9,222)
Distribution of 2019 profit/(loss)	—	—	—	16,568	(653)	—	(17,115)	1,200	—	—
Transactions with shareholders:										
Treasury share transactions	—	—	(577)	—	—	594	—	—	—	17
Share-based payments	—	—	(164)	—	—	358	—	—	—	194
Other changes in equity	—	—	—	—	—	—	—	—	—	—
Balance at 31 December 2020	**32,888**	**89,913**	**19,940**	**(61,688)**	**(4,057)**	**(1,656)**	**(8,802)**	**—**	**292**	**66,830**

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 31 December 2020.

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

(Thousands of euros)

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES (I):		**18,260**	**(31,053)**
Consolidated profit for the year before tax-		**(8,845)**	**17,196**
Adjustments to profit-		**6,592**	**(6,206)**
Depreciation and amortisation charge		304	300
Adjustments for impairment	Notes 11,12 and 17	4,518	201
Impairment and gains or losses on disposals of non-current assets		121	—
Impairment and gains or losses on disposals of financial instruments		—	(6)
Finance income	Note 17	(1,069)	(49)
Finance costs	Note 17	4,182	3,591
Changes in fair value of investment property	Note 8	(445)	(1,899)
Other income and expenses	Note 10	(1,019)	(8,344)
Changes in working capital-		**22,460**	**(37,271)**
Inventories	Note 11	18,861	(30,921)
Trade and other receivables		5,877	(6,073)
Trade and other payables		(2,278)	(277)
Other cash flows from operating activities		**(1,947)**	**(4,772)**
Interest paid (received)		(1,851)	(2,279)
Income tax paid (received)		(96)	(2,493)
CASH FLOWS FROM INVESTMENT ACTIVITIES (II):		**(384)**	**(717)**
Payments due to investment-		**(390)**	**(766)**
Intangible assets		(116)	(372)
Property, plant and equipment		(70)	(27)
Investment property	Note 8	—	(19)
Other financial assets	Note 10	(204)	(348)
Proceeds from disposal-		**6**	**49**
Group companies and associates		—	12
Other financial assets		6	37
CASH FLOWS FROM FINANCING ACTIVITIES (III):		**(15,552)**	**28,398**
Proceeds and payments relating to equity instruments-		**211**	**63**
Disposal of equity instruments	Note 14	211	63
Proceeds and payments relating to financial liability instruments-		**(15,763)**	**31,435**
Proceeds from issue of debt instruments and other marketable securities	Note 15	16,415	19,021
Proceeds from issue of bank borrowings	Note 15	6,293	32,067
Proceeds from issue of other borrowings	Note 15	7,814	4,673
Repayment of debt instruments and other marketable securities	Note 15	(25,731)	(6,500)
Repayment of bank borrowings	Note 15	(15,778)	(14,688)
Repayment of other borrowings	Note 15	(4,776)	(3,138)
Dividends and returns on other equity instruments paid-		**—**	**(3,100)**
Dividends	Note 3	—	(3,100)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)		**2,324**	**(3,372)**
Cash and cash equivalents at beginning of year		5,353	8,725
Cash and cash equivalents at end of year	Note 13	7,677	5,353

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 2020.

Renta Corporación Real Estate, S.A. and Subsidiaries

Consolidated Financial Statements for the year ended 31 December 2020

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., as of when it acquired its current name), 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 (Catalonia, Spain) 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, Catalonia, Spain), 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: Transactional business and Asset business.

Transactional business

The Transactional business 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 Transactional business is in turn divided into two business lines:

a. *"Real estate sales" line* −

   It consists in the acquisition, refurbishment and sale of buildings to third parties, the entire transaction being recorded in the Group's balance sheet.

b. *"Real estate project management" line* −

   It consists in the acquisition of a right to purchase a property and developing 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.

The two business units perform the same activity and use 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 business

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 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 set forth 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.

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 million; 2%, if it exceeds EUR 20 million; and 3%, if it exceeds EUR 30 million. If the consolidated net profit is less than EUR 10 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 Renta Corporación Real Estate, S.A. 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 against each 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 at 31 December 2020 and 2019 is as follows:

(Amounts in thousands of euros)

Item	Thousands of euros			
	Renta Corporación Real Estate, S.A.		Renta Corporación Real Estate ES, S.A.U.	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Bank borrowings	—	—	18,339	19,571
Other current and non-current accounts payable to public authorities	—	—	—	—
Other current and non-current liabilities	1,347	1,624	448	565
Total liabilities	**1,347**	**1,624**	**18,787**	**20,136**

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 2020 and 2019 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.	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Current payables	360	270	154	252
Non-current payables-				
2021	—	342	—	493
2022	342	325	17,147	16,966
2023	27	26	6	6
2024	51	49	11	11
2025	73	69	16	15
Subsequent years	299	289	65	46
Total deferred payables	**1,152**	**1,370**	**17,399**	**17,789**

Other disclosures

Because of the nature of the activities performed by the Group, it does not have any environmental liability, expense, asset, provision or contingency that might be material to its equity, financial position or profit and loss. 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 2020 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 2020, 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 24 February 2021.

However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements at 31 December 2020 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 2019 were approved by the shareholders at the Annual General Meeting of the Parent on 16 June 2020 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 disclosed in Note 4.

Standards and interpretations applicable in 2020 –

In 2020 new accounting standards came into force, which, accordingly, were taken into account in the preparation of these consolidated financial statements. Such standards include:

(Amounts in thousands of euros)

New standards, amendments and interpretations		**Mandatory application in years beginning on or after:**
Approved for application in the EU:		
Amendments 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
Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform – Phase 1 (issued in September 2019).	Amendments to IFRS 9, IAS 39 and IFRS 7 relating to the Interest Rate Benchmark Reform (Phase 1).	1 January 2020
Amendment to IFRS 3 – Business Definition (issued in October 2018).	Clarifications of the definition of a business.	1 January 2020
Amendment to IFRS 16 – Leases – Leasehold Improvements (issued in May 2020).	Amendment to facilitate the accounting of leasehold improvements to lessees arising from COVID-19.	1 June 2020

The Group has been applying the aforementioned standards, amendments and interpretations since they became effective on 1 January 2020, without their application having a significant effect on the accompanying consolidated financial statements.

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 (International Accounting Standards Board) 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.

(Amounts in thousands of euros)

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, IFRS 7, IFRS 4 and IFRS 16 − Interest Rate Benchmark Reform – Phase 2 (issued in August 2020).	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to the Interest Rate Benchmark Reform (Phase 2).	1 June 2021
Amendment to IFRS 4 − Deferral of effective date of IFRS 9 (issued in June 2020).	Deferral of effective date of IFRS 9 until 2023.	1 June 2021
Not approved for application in the EU:		
IFRS 17 − Insurance Contracts and amendments thereto (standard issued in May 2017 and amendments issued in June 2020).	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 2023
Amendment to IFRS 3 − Reference to the Conceptual Framework (issued in May 2020).	IFRS 3 is updated to align the definitions of assets and liabilities in a business combination with those under the conceptual framework. Certain clarifications regarding the recognition of contingent assets and liabilities are introduced as well.	1 January 2022
Amendment to IAS 16 − Proceeds before Intended Use (issued in May 2020).	This amendment prohibits entities deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while that asset is being prepared for its intended use. Proceeds from selling such items, together with the related production costs, must be recognised in profit or loss.	1 January 2022
Amendment to IAS 37 − Onerous Contracts – Cost of Fulfilling a Contract (issued in May 2020).	This amendment clarifies that the cost of fulfilling a contract comprises the incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.	1 January 2022
Improvements to IFRS Standards 2018 - 2020 (issued in May 2020).	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41.	1 January 2022
Amendment to IAS 1 − Classification of Liabilities as Current or Non-current (issued in January 2020).	Clarifications on the recognition of liabilities as current or non-current.	1 January 2023

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 in which 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 (Note 2-j).

– The useful life of intangible assets and of property, plant and equipment (Notes 4-a and 4-b).

– The fair value of investment property (Note 8). This fair value was obtained from the appraisal conducted by an independent valuer at 31 December 2020 applying the methods disclosed in Note 4-e.

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

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

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

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

Although these estimates were made on the basis of the best information available at the date of authorisation for issue of 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 power. 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.

Should the Group have non-controlling interests, the share of those interests 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 these non-controlling interests would be 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 from 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.

If as a consequence of losses incurred by an associate its equity were negative, the investment should be presented in the Group’s consolidated balance sheet with a zero value, unless the Group is obliged to give it financial support.

The tax effect that may arise from including the results and reserves of the joint ventures in the Parent’s equity is not stated 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.

Appendix I shows the main data relating to the subsidiaries at 31 December 2020 and 2019.

f) Changes in the scope of consolidation

On 16 October 2020, the sole liquidator of the investee Linwork Properties SOCIMI, S.A.U. executed the public deed of liquidation of such investee. The aforementioned investee had been incorporated on 6 June 2019 through 200,000 shares fully subscribed and paid in by the Parent with a par value of EUR 1 each.

g) Comparative information

The information relating to 2020 contained in these notes to the consolidated financial statements is presented for comparison purposes with that relating to 2019.

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 2019.

j) Financial position and going concern basis of accounting

The outbreak of the coronavirus COVID-19 in China in January 2020 and its global spread to a great number of countries led the World Health Organization to announce a pandemic on 11 March 2020. After some lockdown easing during the summer period, the third wave of the pandemic took a big hit in the last quarter of the year. From the onset of the pandemic, the Group set up a COVID-19 Committee in order to oversee the employees’ health and any potential financial and non-financial impact closely, as well as to monitor the contingency measures put in place to address the threats posed by the crisis.

The start of the pandemic has led to an unfavourable market performance. The health crisis and its global reach have brought the investment market to a halt. The formalisation of the transactions foreseen in the plan were delayed and the Group cut its investments in new projects. All this had a direct impact on the trading portfolio, the operating margin and, therefore, on the profit for the year. Liquidity was a priority during 2020 and it was monitored regularly and thoroughly. At 31 December 2020 the Group held an adequate treasury position of EUR 7,677 thousand with diversified liquidity access and a sustainable leveraging level, which will enable it to meet its payment obligations and investment needs in the medium term.

Due to the current market scenario and the fact that its effects will last longer than initially envisaged, Renta Corporación has re-evaluated its five-year strategic plan, reflecting the delay in its implementation and forecasting the recovery of pre-COVID levels in 2022. The Group has not changed the plan hypotheses nor its value drivers, which continue to lie in increasing the size of the transactional operations and developing the asset business, adding new leased asset management vehicles in non-residential segments. In this regard, the 2021-2025 strategic plan approved by the Board of Directors on 24 February 2021 is based on a future strategy aimed at consolidating the Group's market positioning. To this end, the Group is taking the following approach:

a. Improving its operating margin by increasing the number of transactions and, in particular, the average scale thereof. The transactional business visibility in 2021 is high given the trading portfolio held by the Group at the closing of 2020. In turn, it is estimated that investments in the asset business will pick up as of the second half of 2021.

b. Maintaining and even cutting overhead costs, adapting them 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 (Note 1). The aforementioned strategic plan envisages the generation of future profits and cash flows that will enable the Group to continue as a going concern.

The directors deem that the Group faces this situation standing on sound foundations, with a highly liquid asset portfolio, a healthy balance sheet and a strong financial position, which will enable it to harness any future opportunities. In this context, the directors prepared these consolidated financial statements in accordance with the going concern basis of accounting, taking into account the aforementioned strategic plan, the budget and the treasury plan for 2021, which indicates that the Renta Corporación Group will be able to fulfil its financial and operating obligations.

3. Allocation of the Parent's loss

The proposed distribution of the loss of the Parent Renta Corporación Real Estate, S.A. for 2020 that the Parent's directors will submit for approval by the shareholders at the Annual General Meeting is as follows:

	Thousands of euros
Loss for the year of the Parent	**(9,562)**
To prior years' losses	(9,562)
Total allocation	**(9,562)**

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 recognised with a charge to the consolidated statement of profit or loss for the year 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) 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 lessee 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 downpayments 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.

e) 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. In 2020 and in 2019 the valuations were carried out by the independent valuation company Accode Business Influencers, S.L.

In order to determine the fair value of the Group’s investment property in 2020 and 2019, the lease payment revision methodology was followed based on the discounted cash flow (“DCF”) approach. 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. The outcomes of the entry into force of Law 11/2020 of 18 September were also considered. Said law –regulating rental prices by the Government of Catalonia– is intended to limit the increase in housing rental prices in certain so-called “tense areas” where average rental prices are very high compared to the average income level of the families living there. This law applies to lease contracts involving units located in tense housing areas that expired upon its entry into force on 22 September 2020, and in case those contracts were renewed after said areas were classified as falling within the tense housing market, provided that it implied a contract extension or a modification of the rent price.

- Discount rate: A standard market rate of 4.5% 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, without considering use for life and taking into account 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 4.5%.

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

  a) Vacant housing units are applied the official rent price pursuant to Law 11/2020 of 18 September with a three-month marketing period.

  b) For housing units tied to a contract:

     - If the rent is lower than the reference index established by the Government of Catalonia, the rent applied to each unit is maintained over the period as adjusted to the annual inflation rate.

     - If the current rent is higher than the reference index, it is estimated that prices will be adjusted to the reference rate in 2022.

  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.

     - 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). The estimated execution term is two months.

     - Units are marketed at the maximum rent price allowed in each area with an additional one-month marketing period once refurbishment works are completed, the actual marketing term being three months.

  d) Market rent prices were applied to commercial premises and storage rooms as they are not covered by Law 11/2020.

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.

(Amounts in thousands of euros)

The detail of the parameters used at 31 December 2020 and 2019 is as follows:

2020		Rent revenue			Discount rate		
Type	**Fair value (1)**	**-5.0 %**	**+5.0 %**	**% Impairment**	**-0.5 %**	**+0.5 %**	**% Impairment**
Investment property	24,023	(603)	603	2.51 %	3,489	(2,888)	12.02 %
Total	**24,023**	**(603)**	**603**	**2.51 %**	**3,489**	**(2,888)**	**12.02 %**

(1) Fair value based on a report by Accode Business Influencers, S.L. of 31 December 2020.

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 2020 would be approximately EUR 603 thousand for a fall in rent revenue of 5%, which would result in a total impairment of 2.51% 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 2,888 thousand, representing 12.02% of the total fair value at 31 December 2020.

In 2019 the maximum potential impairment would have been approximately EUR 811 thousand for a fall in rent revenue of 5%, which would have resulted 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 have implied an impairment loss of EUR 2,933 thousand, representing 12.44% of the total fair value at 31 December 2019.

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 2020 and 2019 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 the consolidated statement of other comprehensive income: when 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 recognised at fair value through consolidated statement of other comprehensive income: these are equity instruments for which the Group makes an irrevocable decision to present subsequent changes in fair value in the consolidated statement of 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 in one or other 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.

Any advanced delivery resulting from purchase options in force are recognised as “Purchase options and supplier advances” under “Inventories” in the accompanying consolidated balance sheet, 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.

The external appraisal of the asset included in “Land and building lots” under “Inventories” of the accompanying consolidated balance sheet was performed in accordance with the methods and principles of the Royal Institution of Chartered Surveyors (UK) and in accordance with generally accepted valuation principles. In 2020 and 2019 the appraisal was conducted by the independent valuer Accode Business Influencers, S.L. 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 the latter (Note 4-k).

h) Receivables

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 2020 and 2019, 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 account includes bank deposits, measured at the lower of cost or market value.

“Cash and cash equivalents” are treasury items of the Group/Company and short-term bank deposits maturing within three months. The carrying amount of these assets approximates their fair value.

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 the 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 current obligations arising from past events, the cancellation of which is likely to generate an outflow that cannot be determined in terms of 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 valid expectations with regard to the termination are created on the part of third parties.

Share-based payment –

At the reporting date the Parent had granted six 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, 9 May 2019 and 13 May 2020, respectively (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 (Note 14).

Furthermore, the Parent has 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 (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, and tax loss carryforwards from prior years effectively offset in the current year reduce the current income tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and 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 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 exceeding 12 months (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 (Note 16).

As a result of the Group filing a petition for voluntary insolvency proceedings on 19 March 2013 (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 shows the transfer of promised goods or services to customers by an amount that reflects the consideration to which the entity expects to be entitled in exchange for those 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.

(Amounts in thousands of euros)

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

The expenses arising from the business activities aimed at protecting and improving the environment are accounted for as an expense in the year in which they are incurred.

When these expenses, the purpose of which is to minimise environmental impact and protect and improve the environment, give rise to additions to property, plant and equipment, they are capitalised to those assets.

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 2020

2020	Thousands of euros		
	Level 1	Level 2	Level 3
Investment property	—	—	24,023
Equity instruments at fair value through consolidated statement of comprehensive income	20,513	—	—
Total assets	**20,513**	**—**	**24,023**

31 December 2019

2019	Thousands of euros		
	Level 1	Level 2	Level 3
Investment property	—	—	23,578
Equity instruments at fair value through consolidated statement of comprehensive income	13,372	—	—
Total assets	**13,372**	**—**	**23,578**

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 2020 and 2019, there were no obligations pending conversion into shares of the Parent.

	Thousands of euros	
	31 December 2020	31 December 2019
Consolidated profit/(loss) for the year attributable to the shareholders of the Parent:	**(8,802)**	**17,115**
- from continuing operations	(8,802)	17,115
	No. of shares	No. of shares
Average number of ordinary shares (in thousands) (*)	32,242	32,168
Average number of ordinary dilutive shares (in thousands) (*)	32,242	32,168
	Euros	Euros
Basic and diluted earnings per share:	**(0.27)**	**0.53**
- from continuing operations	(0.27)	0.53

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

6. Segment reporting

According to its business plan the Group runs its activities through two business units:

– The Transactional business 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 Asset business 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 especially in Madrid and Barcelona.

In 2020 and 2019 Vivenio Residencial SOCIMI, S.A. ("the SOCIMI Vivenio") accounted for 9% and 12% of Group's ordinary revenue, respectively (Note 18).

There were no significant inter-segment transactions in 2020 or 2019.

The segment information on these activities for the consolidated balance sheet and consolidated statement of profit or loss headings for 2020 and 2019 is as follows (in thousands of euros):

(Amounts in thousands of euros)

2020

	Transactional business	Asset business	Not allocable	Total
Intangible assets, property, plant and equipment, rights of use and investment property	—	24,023	1,445	25,468
Non-current financial assets	—	21,235	141	21,376
Deferred tax assets	—	—	27,244	27,244
TOTAL NON-CURRENT ASSETS	**—**	**45,258**	**28,830**	**74,088**
Inventories	65,195	—	—	65,195
Trade and other payables	2,028	1,579	691	4,298
Current financial assets	222	320	—	542
Cash	—	—	7,677	7,677
TOTAL CURRENT ASSETS	**67,445**	**1,899**	**8,368**	**77,712**
TOTAL ASSETS	**67,445**	**47,157**	**37,198**	**151,800**
EQUITY	—	—	**66,830**	**66,830**
Non-current payables	—	5,930	33,033	38,963
Other non-current accounts payable to public authorities	—	—	1,919	1,919
Deferred tax liabilities	—	2,290	—	2,290
TOTAL NON-CURRENT LIABILITIES	**—**	**8,220**	**34,952**	**43,172**
Current payables	20,217	548	13,151	33,916
Trade and other payables	681	213	6,988	7,882
TOTAL CURRENT LIABILITIES	**20,898**	**761**	**20,139**	**41,798**
TOTAL EQUITY AND LIABILITIES	**20,898**	**8,981**	**121,921**	**151,800**

	Transactional business	Asset business	Other	Not allocable	Total
CONTINUING OPERATIONS:					
Revenue	38,766	5,753	—	—	44,519
Other operating income	—	—	1,115	—	1,115
Changes in inventories of buildings acquired for refurbishment and/or conversion	(31,689)	—	—	—	(31,689)
Purchases	(936)	—	—	—	(936)
Staff costs	(4,453)	(1,001)	—	(300)	(5,754)
Other operating expenses	(988)	(3,406)	(4,858)	(3,876)	(13,128)
Depreciation and amortisation charge	(15)	—	—	(289)	(304)
Consolidated profit/(loss) from operations	**685**	**1,346**	**(3,743)**	**(4,465)**	**(6,177)**
Changes in fair value of investment property	—	445	—	—	445
Finance income	—	—	—	1,069	1,069
Finance costs	(1,097)	(237)	—	(2,848)	(4,182)
Consolidated profit/(loss) before tax	**(412)**	**1,554**	**(3,743)**	**(6,244)**	**(8,845)**
Income taxes	—	—	—	43	43
Consolidated profit/(loss) for the year	**(412)**	**1,554**	**(3,743)**	**(6,201)**	**(8,802)**

	Property sales	Real estate project management	Other	Not allocable	Total
Revenue	36,992	1,774	5,753	—	44,519

(Amounts in thousands of euros)

2019

	Transactional business	Asset business	Not allocable	Total
Intangible assets, property, plant and equipment, rights of use and investment property	—	23,578	1,684	25,262
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**

	Transactional business	Asset business	Other	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)	(3,082)	(1,672)	(2,565)	(10,289)
Depreciation and amortisation charge	(14)	—	—	(286)	(300)
Consolidated profit/(loss) from operations	**14,926**	**8,109**	**(1,094)**	**(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/(loss) before tax	**13,988**	**9,762**	**(1,094)**	**(5,460)**	**17,196**
Income taxes	—	—	—	(81)	(81)
Consolidated profit/(loss) for the year	**13,988**	**9,762**	**(1,094)**	**(5,541)**	**17,115**

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

(Amounts in thousands of euros)

7. Rights of use

The changes in “Rights of use” in the consolidated balance sheet in 2020 and 2019 were as follows:

	Thousands of euros				
	Rental of offices		Transport items		Total
	Cost	Amortisation	Cost	Amortisation	
Balance at 1 January 2019	**1,578**	**(371)**	**111**	**(41)**	**1,277**
Provisions	—	(161)	—	(22)	(183)
Balance at 31 December 2019	**1,578**	**(532)**	**111**	**(63)**	**1,094**
Provisions	—	(161)	—	(21)	(182)
Balance at 31 December 2020	**1,578**	**(693)**	**111**	**(84)**	**912**

Rights of use recognised based on IFRS 16 at 31 December 2020 and 2019 are related to lease contracts on offices located in Madrid and Barcelona and to some vehicles. In establishing lease liabilities recognised according to IFRS 16, the Group took into account the payments due according to the estimated duration of both lease contracts assuming they will be performed in full and without considering any potential extensions thereof. The incremental interest rate applied in 2020 and 2019 was 5.12%.

There are no future cash outflows to which the Group is exposed as lessee that have not been considered in the valuation of lease liabilities. Also, the Group decided not to take the practical approach of applying IFRS 16 to a lease portfolio.

8. Investment property

The changes in “Investment property” in the consolidated balance sheet in 2020 and 2019 were as follows:

	Thousands of euros
	Land and buildings
Balance at 31 December 2018	**21,660**
Additions and charge for the year	19
Changes in value	1,899
Balance at 31 December 2019	**23,578**
Additions and charge for the year	—
Changes in value	445
Balance at 31 December 2020	**24,023**

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 2020 and 2019, amounting to EUR 445 and EUR 1,899 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 2020 and 2019 (Note 4-e).

(Amounts in thousands of euros)

Other disclosures

The total surface area (above and below grade level) of the investment property at 31 December 2020 and 2019 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 2020 and 2019 as security for the loans recognised under "Current financial liabilities" is as follows:

	Thousands of euros			
	31/12/2020		31/12/2019	
	Debt	Fair value	Debt	Fair value
Investment property	6,163	24,023	6,388	23,578
Total	**6,163**	**24,023**	**6,388**	**23,578**

Revenue earned in 2020 and 2019 from investment property rental amounted to EUR 532 and EUR 511 thousand (Note 17), respectively, and is recognised under "Revenue" in the accompanying consolidated statement of profit or loss. Virtually all rental properties are currently leased, with related direct operating expenses incurred in 2020 and 2019 totalling EUR 246 and EUR 241 thousand, respectively. According to the occupancy level of investment property, the operating expenses relating to those assets that rendered no rent revenue were not deemed significant.

There is no restriction whatsoever to sell such investment property and the cash flows obtained shall be allocated to amortise the secured debt. There are no other contractual acquisition, construction or development obligations either, nor on account of repair, upkeep or refurbishment work other than the debtor's obligation to preserve the property and prevent its deterioration.

9. Leases

As lessee

At the closing of 2020 and 2019, the Group had not contracted with lessors for any future minimum lease payments that may be deemed significant, which are not included in the valuation of lease liabilities disclosed in Note 15.

As lessor

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

(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 2020 and 2019 were as follows:

31 December 2020

	Thousands of euros			
	Equity instruments	Non-current accounts receivable (Note 18)	Non-current deposits and guarantees	Total
Equity instruments at fair value through consolidated statement of comprehensive income	20,513	—	—	20,513
Other financial assets	25	—	—	25
Loans and receivables	—	722	116	838
Total	**20,538**	**722**	**116**	**21,376**

31 December 2019

	Thousands of euros			
	Equity instruments	Non-current accounts receivable (Note 18)	Non-current deposits and guarantees	Total
Equity instruments at fair value through consolidated statement of comprehensive income	13,372	—	—	13,372
Other financial assets	25	—	—	25
Loans and receivables	—	7,537	88	7,625
Total	**13,397**	**7,537**	**88**	**21,022**

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.

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 manage Vivenio's real estate business on an exclusive basis including, in particular, submitting investment proposals, real estate property project development proposals and the divestment proposals required to ensure appropriate asset rotation.

As agreed under the aforementioned contract, real estate management fees will be collected fully in cash. Origination fees arising from investment proposal submission services when the asset is actually purchased by Vivenio will be settled 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.

Pursuant to the aforementioned asset management agreement, the following transactions were realised during 2020 and 2019:

- On 25 June 2020 both capital increases in Vivenio were subscribed and paid up by the Parent by fully offsetting the credit outstanding at 31 December 2019 for EUR 7,537 thousand resulting from the services rendered by Renta Corporación during 2019. Furthermore, another EUR 163 thousand was added to said amount corresponding to the final settlement of the 2019 incentive fee, which was subsequently recognised in the accompanying statement of profit or loss for 2020.

- On 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. In 2019 additional capital increases in Vivenio were materialised totalling EUR 268,175 thousand, no amounts thereof being contributed by the Group.

During 2020 and 2019 additional capital increases in Vivenio were realised totalling EUR 48,085 and 268,175 thousand, respectively, no amounts thereof being contributed by Renta Corporación Real Estate, S.A.

Therefore, after the aforementioned capital increases, at 31 December 2020 the Parent holds 17,993,548 shares of Vivenio, accounting for 2.903% of its share capital.

At 31 December 2020 and 2019, the Parent measured the aforementioned ownership interest at fair value according to the share price at each year end, recognising any changes in value through equity. The gross reduction in the market price of this investee's shares in 2020 amounted to EUR 560 thousand, EUR 420 thousand net of the tax effect (2019: EUR 533 thousand, EUR 400 thousand net of the tax effect), which was recognised as a balancing entry under “Equity instruments at fair value” in the equity heading “Adjustments for changes in value” in the accompanying consolidated balance sheet.

(Amounts in thousands of euros)

The revenue associated with this activity in 2020 and 2019 amounted to EUR 3,927 and EUR 10,682 thousand, respectively (Notes 17 and 18) with the following breakdown:

2020

Thousands of euros	To be settled in cash	To be settled through shares	Total
Real estate business management fees	2,320	—	2,320
Origination fees	722	722	1,444
Incentive fees	—	163	163
	3,042	**885**	**3,927**

2019

Thousands of euros	To be settled in cash	To be settled through shares	Total
Real estate business management fees	1,653	—	1,653
Origination fees	1,492	3,788	5,280
Incentive fees	—	3,749	3,749
	3,145	**7,537**	**10,682**

The amount of EUR 722 thousand on account of 50% of the origination fees will be converted into shares in 2021, once the Annual General Meeting of the SOCIMI Vivenio approves the relevant capital increase. Thus, the Parent recognised a non-current account receivable from Vivenio (2019: EUR 3,788 thousand), which 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 set out in the agreement. The receivable was measured at amortised cost taking into account that the consideration for the service rendered will be materialised in favour of the Group through the delivery of a number of shares tantamount to the fair value of the outstanding principal at each year-end.

Income accrued by the aforementioned adjustment of incentive fees amounting to EUR 163 thousand was converted into shares on 25 June 2020 together with the amount of EUR 3,749 thousand accrued in 2019 on the same account.

Finally, the remaining 50% of the origination fees and real estate management fees accrued are settled in cash.

(Amounts in thousands of euros)

The main data relating to Vivenio at the closing of 2020 and 2019 are included in the following table:

2020	Location/ Registered office	Thousands of euros					Direct	Indirect
		Share capital (**)	Reserves (**)	Profit/(loss) (**)	Treasury shares (**)	Other equity instruments (**)		
NON-CURRENT EQUITY INSTRUMENTS:								
VIVENIO Residencial SOCIMI, S.A. and Subsidiaries(*) (**)	C/ Velázquez 51, 1º Izq. – 28001 Madrid	619,863	154,801	21,655	(295)	714	2.903%	—

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

2019	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	564,619	50,688	(2,936)	(290)	8,692	2.060%	—

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

11. Inventories

The changes in “Inventories” in the years ended 31 December 2020 and 2019 were as follows:

	Thousands of euros					
	Land and building lots	Buildings acquired for refurbishment and/or conversion	Purchase options	Supplier advances	Write-downs	Total
Balance at 31 December 2018	**18,115**	**37,671**	**1,938**	**—**	**(329)**	**57,395**
Additions and charge for the year	—	79,800	5,062	4,250	(156)	88,956
Disposals and reductions	—	(54,555)	(3,765)	—	277	(58,043)
Balance at 31 December 2019	**18,115**	**62,916**	**3,235**	**4,250**	**(208)**	**88,308**
Additions and charge for the year	—	10,391	1,292	1,300	(1,658)	11,325
Transfers	—	354	(354)	—	—	—
Disposals and reductions	—	(31,689)	(3,151)	—	402	(34,438)
Balance at 31 December 2020	**18,115**	**41,972**	**1,022**	**5,550**	**(1,464)**	**65,195**

“Additions” at the end of 2020 and 2019 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 2020 the Group sold various projects, either by selling entire buildings or by selling housing units and parking spaces, in Barcelona and Madrid, resulting in an aggregate amount of EUR 31,689 thousand being derecognised in 2020 (2019: EUR 54,555 thousand).

In 2020 the Group capitalised borrowing costs amounting to EUR 133 thousand (2019: EUR 253 thousand) using the related actual debt cost as capitalisation rate.

Purchase options and supplier advances

The heading "Inventories" includes the premiums paid by the Group for the purchase options on properties while "Supplier advances" shows the payments made with respect to promise-to-purchase agreements on real estate assets. The following table details the options and promise-to-purchase agreements held, their cost and the associated investment rights at 31 December 2020 and 2019:

	31 December 2020	31 December 2019
Number of gross purchase options and promise-to-purchase agreements (in numbers)	19	21
Gross purchase option premiums and promise-to-purchase agreements (in thousands of euros)	6,572	7,485
Investment rights associated with gross purchase options and promise-to-purchase agreements (in thousands of euros)	112,967	161,728

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.

Usually the price to exercise the option is fixed and is mutually agreed by and between the parties on an arm's length basis. Sometimes such term may be extended by paying an additional premium.

At 31 December 2020 and 2019, there were no purchase options that were unrelated to the Group's ordinary business.

Write-downs

In 2020 the Group recognised a write-down of EUR 1,054 thousand as depreciation of those inventories whose net realisable value is lower than the cost accounted for based on internal measurements, as disclosed in Note 4-g. As to the valuations carried out internally, no major changes to the key hypotheses are expected that could alter the portfolio value.

At 31 December 2020 and 2019, the Group had not recognised any write-downs under "Land and building lots", 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 disclosed 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.

(Amounts in thousands of euros)

This condition was taken into consideration by the independent valuer Accode Business Influencers, S.L. until 31 December 2019, when determining the recoverable amount of the asset.

At 31 December 2020 and as disclosed in Note 4-g, the Group established the market value of such land through an appraisal conducted by the independent valuer Accode Business Influencers, S.L. Such appraisal considers the land's current urban situation and the project development, which encompasses various types of housing (unsubsidised free-market housing, subsidised housing and price-capped housing), commercial premises and parking spaces, all of the foregoing discounted at a 15% rate. As a result of the aforementioned appraisal at fair value, no need to recognise any write-downs on the land was identified. Should a drop in market value result in the land depreciation in the future, and in view of the circumstances to which the asset is subject as described above (it may be granted in lieu of payment of the secured debt upon expiry with creditors having no right to claim any additional amounts to the Group), such write-down would in turn result in a reduction of the participating loan disclosed in Note 15 by the same amount, therefore having no impact on the consolidated statement of profit or loss.

Finally, at 31 December 2020 the Group recognised a write-down associated with purchase option premiums amounting to EUR 410 thousand (31 December 2019: EUR 208 thousand) related to those options which are not expected to be exercised on the established expiry date. Total net options exist for underlying assets amounting to EUR 88,917 thousand, the realisation of which is expected to take place within a period of less than 12 months (2019: EUR 148,428 thousand).

Other matters

At 31 December 2020, the Group held prepayments by customers for property reservation and pre-sale of housing units and/or commercial premises totalling EUR 1,180 thousand, recorded under "Customer advances" in the accompanying consolidated balance sheet (31 December 2019: EUR 2,357 thousand).

Revenue recognised in 2020 and 2019 and recorded as "Customer advances" at the beginning of both fiscal years amounted to EUR 12,314 and EUR 3,603 thousand, respectively.

The detail of the properties 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 2020 and 2019 is as follows:

	Thousands of euros			
	31/12/2020		31/12/2019	
	Debt	Carrying amount	Debt	Carrying amount
Land and building lots	17,001	18,115	17,174	18,115
Buildings acquired for refurbishment and/or conversion	20,211	34,083	33,761	59,401
Total	**37,212**	**52,198**	**50,935**	**77,516**

At 31 December 2020 and 2019, the Group did not have any inventories securing litigation involving third parties.

(Amounts in thousands of euros)

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 2020 and 2019 was as follows:

	Thousands of euros	
	31/12/2020	31/12/2019
Trade receivables	3,018	4,195
Customers – Assets under contract (Note 17)	—	2,944
Sundry accounts receivable	658	2,465
Total	**3,676**	**9,604**

At 31 December 2020, this heading did not include any amount relating to assets under contract. At 31 December 2019, this heading included a total of EUR 2,944 thousand of assets under contract.

The ageing of the trade receivables and sundry accounts receivable at 31 December 2020 and 2019 was as follows:

	Thousands of euros	
	31/12/2020	31/12/2019
Unmatured balance	3,642	9,553
Past-due by 1 to 90 days	34	8
Past-due by 91 to 180 days	—	—
Past-due by more than 180 days	—	43
Total trade receivables, trade receivables from Group companies and associates and sundry accounts receivable	**3,676**	**9,604**

13. Cash and cash equivalents

At 31 December 2020 and 2019, "Cash and cash equivalents" amounted to EUR 7,677 and EUR 5,353 thousand, respectively, and related in full to cash on hand and demand deposits at banks.

At the closing of 2020 and 2019, this heading included a restricted amount of EUR 53 and EUR 38 thousand, respectively.

14. Equity

Share capital

In 2020 and 2019 there were no changes in the Parent's share capital; accordingly, at 31 December 2020 and 2019, the share capital was represented by 32,888,511 fully subscribed and paid-in ordinary registered shares of EUR 1 par value each.

(Amounts in thousands of euros)

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 (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 (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 2020 and 2019 were as follows:

	2020			2019		
	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	4,862,675	15.68%	292,281	6,624,400	21.03%
Oravla Inversiones, S.L.	1,645,099	—	5.00%	1,645,099	—	5.00%
Naturinvest, S.a.r.l.	1,644,426	—	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%
Fundación Renta Corporación	1,151,098	—	3.50%	1,151,098	—	3.50%
Camac Partners, LLC	1,009,614	—	3.07%	—	—	—
Concerted action	—	1,000,000	3.04%	—	1,000,000	3.04%
Santander Small Cap	—	—	—	1,168,331	—	3.55%

The Parent is unaware of other significant ownership interests.

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

Share premium

There were no changes in the share premium in 2020 or 2019.

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. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

(Amounts in thousands of euros)

At 31 December 2020, the balance of the legal reserve totalled EUR 6,578 thousand, and therefore had reached the legally required minimum.

Distribution of dividends

No dividends were paid out in 2020.

Treasury shares

The detail of the treasury shares and of the changes therein in 2020 and 2019 is as follows:

	Number of shares	Thousands of euros	
		Nominal value	Cost
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**
Treasury share-based payments	(111,379)	(111)	(358)
Liquidity agreement -			
Acquisition of treasury shares	474,740	474	982
Disposal of treasury shares	(483,212)	(483)	(1,576)
Balance at 31 December 2020	**592,727**	**593**	**1,656**

At 31 December 2020 and 2019, the Parent had a specific plan to repurchase shares as follows:

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, as well as used in the remuneration systems foreseen in the Spanish Companies Law and 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. On 31 December 2020 the Parent terminated the aforementioned liquidity agreement.

Also, at the reporting date the Parent had granted six share-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, 9 May 2019 and 13 May 2020, 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 while the plan approved on 11 April 2019 initially foresaw the delivery of 20,000 shares between 2019 and 2024. Furthermore, the plan approved on 9 May 2019 initially envisaged the delivery of 28,454 shares between 2019 and 2024. Lastly, the plan approved on 13 May 2020 initially envisaged the delivery of 8,535 shares between 2020 and 2025.

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 at the share delivery date.

In 2020, a total of 111,379 treasury shares were delivered (2019: 80,171) in accordance with the share plans, the value of which on the delivery date amounted to EUR 358 thousand (2019: EUR 298 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 164 thousand (2019: EUR 146 thousand), was recognised as a reduction of “Reserves”.

(Amounts in thousands of euros)

15. Non-current and current payables

The breakdown by maturity of “Non-current payables” and “Current payables” at 31 December 2020 and 2019 is as follows:

31 December 2020

	Thousands of euros								
	Value at amortised cost	Current maturity	Non-current maturities						Total nominal value
		Within 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	16,033	—	—	16,500	—	—	—	16,500	16,500
Bank borrowings:									
Participating loan	17,001	—	18,339	—	—	—	—	18,339	18,339
Mortgage loans	5,929	—	241	252	261	264	4,911	5,929	5,929
Other financial liabilities:									
Debt under Arrangement with Creditors (Note 1)	1,022	—	527	37	74	111	518	1,267	1,267
IFRS 16 Leases	897	—	230	221	226	111	228	1,016	1,016
Total non-current payables	**40,882**	**—**	**19,337**	**17,010**	**561**	**486**	**5,657**	**43,051**	**43,051**
Debt instruments and other marketable securities:									
Issue of commercial papers	4,762	4,900	—	—	—	—	—	—	4,900
Fees and interest	258	258	—	—	—	—	—	—	258
Bank borrowings:									
Mortgage loans	20,445	1,769	8,700	634	647	660	8,399	19,040	20,809
Other financial liabilities:									
Other loans	7,956	8,000	—	—	—	—	—	—	8,000
Interest and other	318	318	—	—	—	—	—	—	318
IFRS 16 Leases	177	226	—	—	—	—	—	—	226
Total current payables	**33,916**	**15,471**	**8,700**	**634**	**647**	**660**	**8,399**	**19,040**	**34,511**

(Amounts in thousands of euros)

31 December 2019

	Thousands of euros								
	Value at amortised cost	Current maturity	Non-current maturities						Total nominal value
		Within 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	—	—	—	16,500	—	—	16,500	16,500
Issue of commercial papers	276	—	300	—	—	—	—	300	300
Bank borrowings:									
Participating loan	17,174	—	365	19,069	—	—	—	19,434	19,434
Mortgage loans	6,165	—	233	242	252	261	5,177	6,165	6,165
Other financial liabilities:									
Debt under Arrangement with Creditors (Note 1)	1,463	—	527	527	37	74	630	1,795	1,795
IFRS 16 Leases	1,071	—	226	230	221	226	338	1,241	1,241
Total non-current payables	**42,058**	**—**	**1,651**	**20,068**	**17,010**	**561**	**6,145**	**45,435**	**45,435**
Debt instruments and other marketable securities:									
Issue of commercial papers	12,42	12,600	—	—	—	—	—	—	12,600
Fees and interest	258	258	—	—	—	—	—	—	258
Bank borrowings:									
Mortgage loans	29,485	1,634	997	10,289	1,055	1,075	15,011	28,427	30,061
Interest and other	510	510	—	—	—	—	—	—	510
Other financial liabilities:									
Other loans	4,5	—	4,500	—	—	—	—	4,500	4,500
Interest and other	239	239	—	—	—	—	—	—	239
IFRS 16 Leases	170	228	—	—	—	—	—	—	228
Total current payables	**47,582**	**15,469**	**5,497**	**10,289**	**1,055**	**1,075**	**15,011**	**32,927**	**48,396**

The overall liabilities in the chart above are “Debits and other payables”, the Group neither holding nor having recognised any instrument as “Financial liabilities at fair value”. Bank borrowings have been obtained by the Group on an arm’s length basis. Therefore, their fair value does not vary significantly from their carrying amount.

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 disclosed 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 17,001 thousand. The difference between this amount and the nominal value of the loan is related to the interest that will accrue and the value adjustment.

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 100% of their par value. The bonds' annual coupon rate is 6.25%, payable yearly in arrears.

The bond arrangement expenses amounted to EUR 748 thousand. As disclosed 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.

Current non-convertible bonds until 30 December 2020 established the need to achieve a financial ratio whereby the adjusted consolidated net financial debt of the Renta Corporación Group could not be higher than 3.5x the consolidated EBITDA of the Group over a period of more than six months. For the purposes of calculating such ratio, the effect of the participating loan held by the Renta Corporación Group in connection with the Cánovas site was excluded from the net financial debt. On 30 December 2020 an agreement was reached amending the terms and conditions of the non-convertible bonds that postpone the calculation of said ratio until 1 January 2022. Consequently, at 31 December 2020 the aforementioned ratio was not applicable.

Issue of commercial papers

On 25 March 2019 the Parent placed a commercial paper 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 commercial papers was established on each issue date. The maximum maturity or repayment term of the commercial papers within the scope of the aforementioned programme was two years from their issue date.

At 31 December 2020 the amount drawn by the Group under said programme totalled a par value of EUR 300 thousand at a nominal interest rate of 4.00%.

On 7 May 2020 the Parent renewed its commercial paper 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 commercial papers will be established on each issue date. The maximum maturity or repayment term of the commercial papers within the scope of the aforementioned programme will be two years from their issue date.

At 31 December 2020 the amount drawn by the Group under said programme totalled a par value of EUR 4,600 thousand at a nominal interest rate between 2.00% and 5.00%.

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 (Note 8).

(Amounts in thousands of euros)

Current –

In 2019 the Group arranged five individual loans totalling EUR 4,500 thousand and maturing in 2021. Such loans were used to finance certain developments acquired and recognised under "Inventories" at 31 December 2019 (Note 11). The Group amortised such loans in full during this fiscal year.

At the closing of 2020 the Group held 14 inventory-related mortgage loans with an aggregate repayment cost pending settlement of EUR 20,211 thousand. One of these contracts matures in 2021, three other contracts in 2022 and the remaining contracts after five years. Such loans were used to finance developments acquired and recognised under "Inventories" at 31 December 2020 (Note 11).

In 2020 the Group signed a loan with a private financing company that initially amounted to EUR 5,000 thousand and that was subsequently increased by another EUR 3,000 thousand at a 4% nominal interest rate. Such loan matures in 2021.

Pursuant to IAS 7 below is the 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:

2020

	Thousands of euros						
			No impact on cash flows				
	01/01/2020	Cash flows	Finance costs*	Finance income	Reclassification of non-current to current payables	Other	31/12/2020
Non-current and current payables:							
Long-term commercial paper issues	276	—	10	—	(286)	—	—
Long-term bond issues	15,909	—	164	—	—	(40)	16,033
Long-term participating loan	17,174	—	830	(1,003)	—	—	17,001
Long-term mortgage loans	34,018	(8,636)	872	—	(1,754)	120	24,620
Other long-term loans	4,500	—	—	—	(4,500)	—	—
Long-term debt under Arrangement with Creditors	1,463	(105)	85	—	—	(421)	1,022
Short-term commercial paper issues	12,420	(3,485)	498	—	(4,587)	(84)	4,762
Short-term mortgage loans	1,632	(1,632)	—	—	1,754	—	1,754
Other short-term loans	—	(1,560)	143	—	9,373	—	7,956
IFRS 16 Leases	1,241	(230)	59	—	—	4	1,074
Interest and other at short term	1,007	(1,966)	1,493	—	—	42	576
Total liabilities arising from financing activities	**89,640**	**(17,614)**	**4,154**	**(1,003)**	**—**	**(379)**	**74,798**

*Note: Finance costs do not include the amount of EUR 28 thousand from the regularisation of the debt under Arrangement with Creditors.

(Amounts in thousands of euros)

2019

	Thousands of euros						
			No impact on cash flows				
	01/01/2019	Cash flows	Finance costs*	Finance income	Reclassification of non-current to current payables	Other	31/12/2019
Non-current and current payables:							
Long-term commercial paper issues	—	940	14	—	(667)	(11)	276
Long-term bond issues	15,827	—	143	—	—	(61)	15,909
Long-term participating loan	16,685	—	489	—	—	—	17,174
Long-term mortgage loans	18,517	17,037	865	—	(1,632)	(769)	34,018
Other long-term loans	2,899	1,601	—	—	—	—	4,500
Long-term debt under Arrangement with Creditors	1,747	(149)	252	(42)	—	(345)	1,463
Short-term commercial paper issues	—	11,581	309	—	667	(137)	12,420
Short-term mortgage loans	319	(319)	—	—	1,632	—	1,632
IFRS 16 Leases	—	(227)	67	—	—	1,401	1,241
Interest and other at short term	622	(1,253)	1,368	—	—	270	1,007
Total liabilities arising from financing activities	**56,616**	**29,211**	**3,507**	**(42)**	**—**	**348**	**89,640**

*Note: Finance costs do not include the amount of EUR 84 thousand from the adjustment of the debt under Arrangement with Creditors.

Guarantees

At 31 December 2020, the Group raised guarantees in favour of third parties in the amount of EUR 1,693 thousand (EUR 3,184 thousand at 31 December 2019), mainly aimed at securing obligations arising from the purchase of property as well as downpayments on the future purchase of three housing units in two real estate developments in Barcelona and eight housing units in a development in Madrid.

Interest

Mortgage loans at 31 December 2020 and 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.

At 31 December 2020 there were no individual loans outstanding. The interest rate applicable to individual loans at 31 December 2019 was 9%.

At 31 December 2020 and 2019, the accrued interest payable amounted to EUR 576 and EUR 1,007 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 mitigating the risks described below.

Also, and in view of the situation triggered by COVID-19, in the first half of 2020 the Parent set up an internal committee called "COVID-19 Committee" formed by the Chairman of the Audit Committee and Coordinating Director, the CEO and the Corporate General Manager that reports directly to the Audit Committee. The purpose of this Committee was to monitor the evolution of the state of alarm closely, addressing any potential financial and non-financial impact; outline a contingency plan to be applied groupwide; and report its conclusions to the Board of Directors. This Committee will remain active as long as the uncertainty arising from the pandemic persists.

Financial risk factors

The Group's activities are exposed to various financial risks: market risk, including foreign exchange 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 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 Company's operating units. Renta Corporación's Board of Directors sets policies for global risk management, as well as for the management of foreign exchange risk, interest rate risk, liquidity risk, the use of derivative and non-derivative instruments and investment of surplus liquidity.

Market risk: foreign exchange risk

The Group defines foreign exchange 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 other loans, and through the issue of commercial papers and five-year unsecured ordinary bonds.

This participating loan, recognised as a liability of EUR 18,339 thousand, 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 million. If the consolidated net profit is less than EUR 10 million, no floating interest is accrued. In 2020 this loan accrued no interest.

The Parent issued bonds on 2 October 2018 in the amount of EUR 16,500 thousand with a coupon rate of 6.25%.

At 31 December 2020 the amount drawn by the Group under the abovementioned programme totalled a par value of EUR 4,900 thousand at a nominal interest rate between 2.00% and 5.00%.

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.

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. The current situation of the markets is sparking increased liquidity tensions in the economy at large, with the credit market crunching.

The Group has a diversified financial structure consisting of bank and non-bank finance, the latter being mainly bonds and commercial papers. This diversified structure provides more flexibility to address those transactions that, given their nature, traditional banks are more reluctant to finance as they are now more restrictive.

Also, in light of the Group's performance in 2020 due to the current market scenario, the Group has reached an agreement with the bondholders of the 2018 issue whereby the covenant calculation will be suspended until 2022.

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.

The Group has further diversified its sources of finance gaining more flexibility to undertake projects that are more unlikely to be financed by traditional banks. In this regard, on 7 May 2020 the Parent renewed its commercial paper programme on the Alternative Fixed-Income Market. Additionally, in the last quarter of 2020 it registered in ICO (Official Credit Institute) direct guarantee facility programme through MARF commercial papers and, on 4 February 2021, in the MARF ICO-backed commercial paper programme.

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.

Risks from operations

The current changing and unpredictable events might bring developments or sales to a temporary halt like the one already experienced during the lockdown in 2020. Most of the Group's revenue derives from its transactions. Therefore, revenue and profit depend on the supply and demand of real estate assets. Also, to this date the Group's entire business is carried out in Spain; therefore, any change in the country's economic scenario might have a direct impact on the business performance. Predictably, the macroeconomic situation and the markets' uncertainty caused by the pandemic, among other factors, might affect the Group's current and future volume of transactions.

(Amounts in thousands of euros)

16. Tax matters

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

	Thousands of euros			
	Tax receivables		Tax payables	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Taxes	—	61	362	296
VAT	4	17	1,377	1,130
Current tax	618	988	—	474
Other debts under Arrangement with Creditors – Tax authorities	—	—	373	265
Accrued social security taxes	—	—	51	56
Total current balances	**622**	**1,066**	**2,163**	**2,221**
Deferred tax liabilities	—	—	2,290	2,276
Tax loss carryforwards	25,057	25,057	—	—
Other deferred tax assets	2,187	1,998	—	—
Total non-current balances	**27,244**	**27,055**	**2,290**	**2,276**

As a result of the Group filing a petition for voluntary insolvency proceedings on 19 March 2013 (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 disclosed 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 and EUR 60 million, and of 70% if their revenue is less than EUR 20 million. In any event, tax losses of up to EUR 1 million may be offset in a tax period.

The reconciliation of the accounting profit to the taxable profit at 31 December 2020 and 31 December 2019 is as follows:

(Amounts in thousands of euros)

31 December 2020

	Thousands of euros		
	Increase	Decrease	Amount
Profit/(loss) for the year before tax (aggregate of separate companies)			**(13,688)**
Permanent differences:			
Non-deductible costs	232	—	232
Donations	229	—	229
Tax-exempt dividends	—	(4)	(4)
Reversal of impairment of interest in Group companies	2,306	—	2,306
Impairment of interest in Group companies	4,189	—	4,189
Temporary differences:			
Arising in prior years-			
Write-down of purchase options	—	(209)	(209)
Tax adjustments – Insolvency proceedings	1,759	—	1,759
30% deduction of amortisation cost	—	(16)	(16)
Arising in current year-			
Write-down of purchase options	530	—	530
Inventory write-downs	431	—	431
Other provisions	210	—	210
Non-deductible finance costs	—	(203)	(203)
Tax base (taxable profit/(loss))	**9,886**	**(432)**	**(4,234)**

31 December 2019

	Thousands of euros		
	Increase	Decrease	Amount
Profit/(loss) 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**

(Amounts in thousands of euros)

The reconciliation of the accounting profit to the income tax cost recognised in profit or loss for 2020 and 2019 is as follows:

	Thousands of euros	
	2020	2019
Total profit/(loss) for the year before tax (aggregate of separate companies)	(13,688)	20,725
Permanent differences	6,952	257
Adjusted accounting result	**(6,736)**	**20,982**
Tax charge at 25%	—	(5,246)
Impact of non-recognised temporary differences	(436)	(619)
Deductions	—	71
Offset of tax losses	440	3,232
Recognition of tax assets	—	3,008
Deferred tax liabilities arising from revaluation of investment property and other	(148)	(530)
Other adjustments	187	3
Total income tax benefit recognised in profit or loss	**43**	**(81)**
- Current tax	43	(3,089)
- Deferred taxes	—	3,008

The increase in the tax base due to temporary differences in 2020 and 2019 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 and to the decrease due to the temporary limitation of deductible amortisations in 2013 and 2014 that could be recovered in the next 10 years pursuant to Law 16/2012.

The data relating to the income tax return for 2020 constitute the best available estimate at the date of formal preparation of the consolidated financial statements and may differ from the final tax return. The period for filing the final tax return runs from 1 to 25 of July 2021.

Net deferred tax assets

The breakdown of changes in the balances of deferred tax assets at 31 December 2020 and 2019 is as follows:

	Thousands of euros							
	31/12/2018	Additions	Disposals	Other	31/12/2019	Additions	Disposals	31/12/2020
Deferred tax assets:								
Tax loss carryforwards (gross)	23,861	3,008	(623)	2	26,248	—	(440)	25,808
Other	2,006	67	(69)	(6)	1,998	293	(104)	2,187
Deferred tax liabilities	(1,812)	—	623	(2)	(1,191)	—	440	(751)
Total net deferred and other tax assets	**24,055**	**3,075**	**(69)**	**(6)**	**27,055**	**293**	**(104)**	**27,244**

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. 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.

In this regard, in 2020 the Group reversed temporary differences relating to the aforementioned debt composition and rescheduling amounting to EUR 1,759 thousand (2019: EUR 2,492 thousand). The associated deferred taxes totalled EUR 440 thousand in 2020 against EUR 623 thousand in 2019.

At 31 December 2020, the directors had recognised a deferred tax asset, net of the aforementioned deferred tax liability, amounting to EUR 27,244 thousand. The deferred tax assets mentioned above were recognised in the accompanying consolidated balance sheet as the Parent's directors believe that, based on the Group's best future estimates and accounting and tax regulations in force, such assets are likely to be recovered. In fact, it is estimated that they will be recovered based on the strategic plan approved by the Board of Directors for the 2021-2025 period, as disclosed in Note 2-j, on the one hand, and on the directors' best estimates on the Group's results for the subsequent periods, on the other hand.

(Amounts in thousands of euros)

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 2020, recognised and not recognised in the accompanying consolidated balance sheet:

Arising in:	Thousands of euros		
	31/12/2019	Generating negative tax	31/12/2020
2008	26,990	—	26,990
2009	15,254	—	15,254
2010	25,718	—	25,718
2011	7,213	—	7,213
2012	43,394	—	43,394
2013	2,874	—	2,874
2014	42,976	—	42,976
2020	—	4,234	4,234
Total	**164,419**	**4,234**	**168,653**

Therefore, a deferred tax asset amounting to EUR 100,227 thousand was recognised out of a total of EUR 168,653 thousand tax loss carryforwards associated with the aforementioned events at 31 December 2020.

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 2020, which were recognised and not recognised in the accompanying balance are as follows:

Arising in:	Thousands of euros		
	31/12/2019	Offsetting	31/12/2020
2012	478	(203)	275
2013	3,917	—	3,917
2014	463	—	463
2015	785	—	785
2016	640	—	640
2017	635	—	635
2018	735	—	735
2019	96	—	96
Total	**7,749**	**(203)**	**7,546**

(Amounts in thousands of euros)

Deferred tax liabilities

	Thousands of euros							
	31/12/2018	Additions	Other	31/12/2019	Additions	Disposals	Other	31/12/2020
Revaluation of investment property and reversal of depreciation charge	1,508	537	(6)	2,039	148	—	6	2,193
Equity instruments recognised at fair value through consolidated statement of other comprehensive income	104	133	—	237	—	(140)	—	97
Total deferred tax liabilities	**1,612**	**670**	**(6)**	**2,276**	**148**	**(140)**	**6**	**2,290**

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 2020 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 afforded 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 2020 and 2019 is as follows:

	Thousands of euros	
	2020	2019
Property sales	36,993	68,896
Real estate project management	1,773	8,465
Provision of asset management services (Notes 10 and 18)	3,927	10,682
Rent revenue (Note 9)	1,826	1,507
Total	**44,519**	**89,550**

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 included the transfer during the year of a building lot and a building to be constructed by the Group. In 2019 the public deed of sale of the building lot and new building under construction was executed. The customer would take title to such property through accession. Regarding the sale of the building lot, at 31 December 2019 the outstanding payment was 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 would 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 related to work completed, at year-end it did not fulfil the billing milestone required by contract. In this regard, in 2020 the Group completed all pending work and the project was thus finalised. The project execution resulted in the recognition of EUR 5,756 thousand in revenue in 2020, that at 31 December 2020 had already been entirely billed and collected almost in full.

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	
	2020	2019
Additions to buildings acquired for refurbishment and/or conversion (Note 11)	(10,391)	(79,800)
Transfer of purchase options (Note 11)	(354)	—
Changes in inventories due to additions and transfers	10,745	79,800
Reversal of inventory write-downs (Note 11)	(31,689)	(54,555)
Total	**(31,689)**	**(54,555)**

Staff costs

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

	Thousands of euros	
	2020	2019
Wages, salaries and similar expenses	4,940	5,370
Employer social security costs	615	622
Other employee benefits costs	199	159
Total	**5,754**	**6,151**

At 31 December 2020 and 2019, “Other employee benefit costs” included, among others, a total of EUR 192 and EUR 152 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 disclosed in Note 14.

(Amounts in thousands of euros)

Other operating expenses

The detail of "Other operating expenses" in the consolidated statement of profit or loss is as follows:

	Thousands of euros	
	2020	2019
Rent and royalties	363	60
Repair and conservation	405	398
Third-party professional services	5,624	4,252
Other operating expenses	4,958	3,551
Other	831	1,042
Total external services	**12,181**	**9,303**
Other taxes	692	986
Total taxes	**692**	**986**
Impairment of trade receivables	78	—
Impairment loss and other provisions	177	—
Total losses, impairment and changes in trade provisions	**255**	**—**
Total other operating expenses	**13,128**	**10,289**

The heading "Third-party professional services" includes, mainly, the fees charged by legal advisors hired by the Group and are related, among others, with costs associated with the analysis, study and commissioning of non-residential asset management business lines by creating external vehicles, as disclosed in Note 2-j in these consolidated financial statements. In turn, the heading "Other operating expenses" shows the expenses incurred, mainly, in managing Vivenio's assets.

Finance income and finance costs

The breakdown of the finance income and finance costs in 2020 and 2019 is as follows:

	Thousands of euros	
	2020	2019
Finance income:		
Other finance income	1,069	49
Total finance income	**1,069**	**49**
Finance costs:		
Interest cost associated with debts to third parties (Note 1)	(916)	(745)
On bank and other borrowings	(3,399)	(3,099)
Capitalised borrowing costs (Note 11)	133	253
Total finance costs	**(4,182)**	**(3,591)**
Total financial loss	**(3,113)**	**(3,542)**

(Amounts in thousands of euros)

18. Related-party transactions and balances

Related-party transactions

The breakdown of related-party transactions in 2020 and 2019 is as follows:

2020

	Thousands of euros	
	Sales and services rendered	Donations
Other related parties:		
Closa Asociados Correduría de Seguros, S.L.	208	—
Fundación Renta Corporación	—	(229)
Luis Conde Moller	15	—
Seeliger y Conde, S.L.	40	—
Grupo Vivenio SOCIMI (*)	3,927	—
Total	**4,190**	**(229)**

(*) Grupo Vivenio SOCIMI includes the transactions with all the companies owned by the Vivenio Group.

2019

	Thousands of euros		
	Sales and services rendered	Donations	Interest income (expenses)
Other related parties:			
Closa Asociados Correduría de Seguros, S.L.	163	—	—
Fundación Renta Corporación	—	(197)	—
Oravla, S.L.	2	—	(61)
Grupo Vivenio SOCIMI (*)	10,682	—	—
Second House	181	—	—
Jose María Cervera / Mercedes Blasco	177	—	—
Iglú Verde, S.L.	63	—	—
Total	**11,268**	**(197)**	**(61)**

(*) Grupo Vivenio SOCIMI includes the transactions with all the companies owned by the Vivenio Group.

Most transactions with related companies in 2020 and 2019 are related to the services rendered to the SOCIMI Vivenio Group according to the asset management agreement disclosed in Note 10.

(Amounts in thousands of euros)

Related-party balances

Detailed below are the related-party balances recognised in the consolidated balance sheets at 31 December 2020 and 2019:

2020

	Thousands of euros	
	Non-current accounts receivable (Note 10)	Trade and other receivables
Other related parties:		
Grupo Vivenio SOCIMI (*)	722	1,341
Total	**722**	**1,341**

(*) Grupo Vivenio SOCIMI includes the transactions with all the companies owned by the Vivenio Group.

2019

	Thousands of euros	
	Non-current accounts receivable (Note 10)	Trade and other receivables
Other related parties:		
Grupo Vivenio SOCIMI (*)	7,537	371
Total	**7,537**	**371**

(*) Grupo Vivenio SOCIMI includes the transactions with all the companies owned by the Vivenio Group.

9. 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 2020 and 2019 were as follows:

2020

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

(Amounts in thousands of euros)

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

No new directors were appointed in 2020 and 2019.

At 31 December 2020 and 2019, the current members of the Board of Directors held or controlled the following ownership interests:

	2020			2019		
	Direct	Indirect	Total	Direct	Indirect	Total
Luis Hernández de Cabanyes (*)	0.89%	14.79%	15.68%	0.89%	20.14%	21.03%
Oravla Inversiones, S.L.	5.00%	—	5.00%	5.00%	—	5.00%
Vanesa Hernández de Cabanyes	1.37%	—	1.37%	1.63%	—	1.63%
David Vila Balta (*)	0.35%	—	0.35%	0.28%	—	0.28%
Manuel Valls Morató	0.08%	—	0.08%	0.08%	—	0.08%
Vanesa Grandes Massa	0.06%	—	0.06%	0.06%	—	0.06%

(*) Executive directors

Pursuant to Article 229 of the Spanish Companies Law, at the end of 2020 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 2020 and 2019 by the members of the Parent's Board of Directors is as follows:

	Thousands of euros	
	2020	2019
Remuneration earned by executive directors (*)	838	1,041
Remuneration for attendance of Board meetings	211	171
Remuneration for participation in Executive Committees	76	76
Total	**1,125**	**1,288**

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

At the end of 31 December 2020 and 2019, 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 2020 and 2019, the premium paid under the third-party liability insurance policy for damages caused by acts or omissions. In 2020 and 2019 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 2020, one member 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. At 31 December 2019 two members of the Board of Directors had signed this type of clauses.

Also, in 2020 and 2019 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 2020 amounted to EUR 1,185 thousand, of which EUR 838 thousand correspond to remuneration of the executive directors (2019: EUR 1,426 and EUR 1,041 thousand, respectively).

The remuneration described above includes, for 2020, the delivery of 23,774 shares amounting to EUR 45 thousand to the CEO (2019: 15,232 shares amounting to EUR 59 thousand), and of 12,385 shares amounting to EUR 23 thousand to the Corporate General Manager (2019: 8,114 shares amounting to EUR 32 thousand), by virtue of the share-based payment plans established by the Group as specified in Note 14.

Under these plans, the shares to be delivered to the Parent's CEO and Corporate General Manager between 2021 and 2025 amount to 18,000 and 18,000 shares, respectively (41,774 and 30,385 shares, respectively, at 31 December 2019 for 2020-2024).

At 31 December 2020, one executive director 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. At 31 December 2019 both executive directors of the senior management had signed this type of clauses.

20. Other disclosures

Employees

The number of Group employees at 31 December 2020 and 2019 and the average number of employees in both years, by category and gender, are as follows:

(Amounts in thousands of euros)

Professional category	Number of employees at 31 December				Average number of employees in 2020		Average number of employees in 2019	
	2020		2019					
	Men	Women	Men	Women	Men	Women	Men	Women
Management	3	1	3	—	3	1	3	—
Graduates, line personnel and clerical staff	17	24	19	24	17	24	19	24
Total	**20**	**25**	**22**	**24**	**20**	**25**	**22**	**24**

Additionally, at 31 December 2020 and 2019, the Parent had one employee with a disability equal to or greater than 33%.

Fees paid to auditors

In 2020 and 2019 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	
	2020	2019
Audit services	101	88
Other verification services	16	56
Total audit and related services	**117**	**144**
Other attest services	—	—
Total professional services	**—**	**—**

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 out 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.

	2020	2019
	Days	Days
Average period of payment to suppliers	26	3
Ratio of transactions settled	26	3
Ratio of transactions not yet settled	20	37

	Amount (Thousands of euros)	Amount (Thousands of euros)
Total payments made	25,654	102,032
Total payments outstanding	932	918

In line with 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. Events after the reporting date

No events took place after 31 December 2020 that might have a significant impact on these consolidated financial statements other than the events described herein.

(Amounts in thousands of euros)

APPENDIX 1

SUBSIDIARIES

	% of ownership				31/12/2020			31/12/2019			Shareholder	Activity
	Direct		Indirect		Thousands of euros			Thousands of euros				
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	Share capital	Reserves	Profit/(loss)	Share capital	Reserves	Profit/(loss)		
Renta Corporación Real Estate ES, S.A.U. (*) Vía Augusta 252 – 260, 5ª planta – 08017 Barcelona ·	100%	100%	—	—	204	33,907	(3,687)	204	30,440	3,399	—	2
Linwork Properties SOCIMI, S.A. (**) Vía Augusta 252 – 260, 5ª planta - 08017 Barcelona ·	Liquidated	100%	Liquidated	—	n/a	n/a	n/a	200	—	(53)	—	3
Vía Augusta Adquisiciones, S.L.U. (**) Vía Augusta 252 – 260, 5ª planta - 08017 Barcelona ·	—	—	100%	100%	3	53	(245)	3	(3)	56	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.

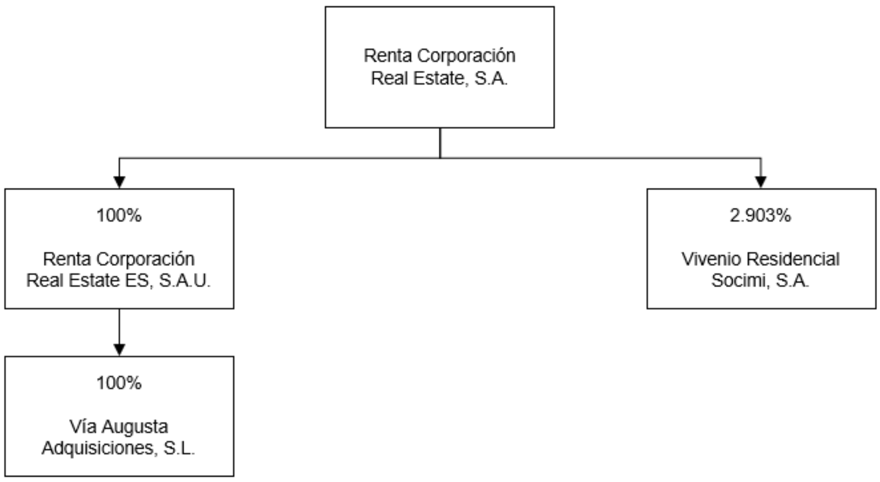
Renta Corporación Real Estate, S.A.
and Subsidiaries

Consolidated Directors' Report
for the year ended
31 December 2020

1. ***Situation of the Group***

Renta Corporación is a real estate group with more than 30 years' experience in the industry. The Group runs its business 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 722 thousand pending conversion into shares, which will take place in 2021.

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

Transactional business

The Transactional business consists in adding value to the various asset-related transactions. Added value 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 Transactional 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 Transactional business is divided into two business lines:

a. “Property sales” line

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

b. “Real estate project management” line

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 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 business

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.

The Renta Corporación Group 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 Group 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 Group continues making progress in implementing two investment vehicles specialised in the acquisition of real estate assets in Spain, one of them aimed at the logistics segment and the other at the hotel segment.

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 process of analysing and approving transactions 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

The outbreak of the coronavirus COVID-19 in China in January 2020 and its global spread to a great number of countries led the World Health Organization to announce a pandemic on 11 March 2020. As a result and starting in March, the pandemic was the dominant development in 2020. From the onset of the pandemic, the Group set up a COVID-19 Committee in order to oversee the employees' health and any potential financial and non-financial impact closely, as well as to monitor the contingency measures put in place to address the threats posed by the crisis.

The start of the pandemic has led to an unfavourable market performance. The health crisis and its global reach have brought the investment market to a halt. The formalisation of the transactions foreseen in the plan were delayed and the Group cut its investments in new projects. All this had a direct impact on the trading portfolio, the operating margin and, therefore, on the profit for the year.

Renta Corporación closed 2020 with an **accumulated net loss** of EUR -8,802 thousand against EUR 17,115 thousand earned in 2019, due to the economic standstill caused by COVID-19.

Revenue in 2020, which includes sales and income from project management, provision of services and rentals, amounted to EUR 44,519 thousand against EUR 89,550 thousand in 2019. Additionally, **other profit from operations** amounted to EUR 1,115 thousand against EUR 578 thousand in 2019.

Finally, **changes in fair value of investment property** in 2020 amounted to EUR 445 thousand compared to EUR 1,899 thousand in 2019.

(Amounts in thousands of euros)

In 2020 the Group's total **staff and overhead costs** stood at EUR 9,375 thousand, of which EUR 1,330 thousand account for non-recurrent expenses resulting from new projects still in the pipeline compared to EUR 8,716 thousand in 2019.

The **consolidated profit/(loss) from operations** dropped significantly in 2020 against 2019 as transactions were put on hold, falling from EUR 18,833 thousand in 2019 to EUR -6,177 thousand in 2020.

The **net financial loss** for 2020 was EUR 3,113 thousand dropping by EUR 423 thousand compared to 2019. Finance costs rose by EUR 591 thousand against 2019 as a result of increased activity and debt level in 2020. Finance income rose EUR 1,014 thousand year-on-year due, mainly, to lower expenses arising from the payment of the participating loan based on the new strategic plan approved.

Renta Corporación recognised income totalling EUR 43 thousand on account of **income tax**.

Non-current assets amounted to EUR 74,088 thousand.

Thousands of euros	**2020**	**2019**	**Change**
Fixed assets and rights of use	1,445	1,684	(239)
Investment property	24,023	23,578	445
Equity instruments	20,538	13,397	7,141
Non-current accounts receivable	722	7,537	(6,815)
Other financial assets	116	88	28
Deferred tax assets	27,244	27,055	189
Total non-current assets	**74,088**	**73,339**	**749**

This figure shows a year-on-year increase of EUR 749 thousand compared to December 2019, due mainly to the following:

- A decrease in **fixed assets and rights of use** amounting to EUR -239 thousand compared to December 2019, due chiefly to the fiscal year's amortisation effect.

- An increase in the market value of **investment property** up to EUR 24,023 thousand compared to EUR 23,578 thousand in 2019, resulting in a revaluation of EUR 445 thousand.

- The heading **equity instruments** includes mainly Renta Corporación's interest in the SOCIMI Vivenio. The net increase was due, principally, to the aggregate effect of an increase resulting from the conversion of credits into Vivenio shares for EUR 7,700 thousand and the gross fall of the share price totalling EUR 560 thousand.

- The amount pending conversion into Vivenio shares was registered as a **non-current account receivable**.

  The net reduction in non-current accounts receivable amounting to EUR -6,815 thousand is due to the aggregate effect of:

  a. The conversion into shares in 2020 of the services and the incentive fees accrued in 2019 totalling EUR 7,537 thousand. Additionally, in 2020 the final amount of incentive fees was adjusted and recognised for EUR 163 thousand, also converted into shares.

(Amounts in thousands of euros)

b. An increase in the services billed to Vivenio and the incentive fees accrued in 2020 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 equivalent to the nominal value of the account receivable on the related accrual date in the amount of EUR 722 thousand.

- An increase in **deferred tax assets** of EUR 189 thousand. Net deferred tax assets recognised totalled EUR 27,244 thousand related mainly to tax loss carryforwards to be offset over the next periods, with EUR 65,394 thousand tax losses pending recognition.

Inventories stood at EUR 65,195 thousand, falling by EUR 23,113 thousand against 2019 due mainly to sales over the period with the following highlights: two residential transactions on calles Rosselló and Monterols; one office building transaction on Gran Vía in Barcelona; and two residential transactions on calles Marqués de Monteagudo and Palencia in Madrid. In 2020 owing to the pandemic property purchases fell sharply compared to 2019, which also resulted in a drop of inventories.

The Group recorded the Cànoves residential land for EUR 18,115 thousand under this heading. This asset is a security granted by creditors as per the 2014 agreement that sets out its delivery in lieu of payment in 2022. For that reason, this land is not considered to be a strategic inventory.

Also, the amount of inventories at year-end includes purchase option premiums and promise-to-purchase agreements totalling EUR 6,162 thousand, which grant the right to purchase assets in the future for EUR 88,917 thousand. This, coupled with the strategic inventories, results in a trading portfolio of EUR 129,835 thousand.

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

Thousands of euros	**2020**	**2019**	**Change**
Trade receivables for sales and services	3,018	7,139	(4,121)
Other receivables	658	2,467	(1,809)
Other accounts receivable from public authorities	622	1,066	(444)
Total trade and other receivables	**4,298**	**10,672**	**(6,374)**

At the closing of 2020 the total balance was EUR 4,298 thousand, down -EUR 6,374 thousand compared to 2019. This balance is broken down into three headings:

- Trade receivables for sales and services: This heading fell EUR -4,121 thousand compared to the previous year due mainly to the collection of a delegated project for the development of office space in Barcelona 22@ district –sold to an institutional investor and that was delivered at the closing of 2020–, as well as to the collection of fixtures and fittings in the Guinardó district at the end of 2019.

- Other receivables: This item dropped EUR -1,809 thousand against December 2019 due, mainly, to a decrease in the purchase option premiums under analysis and purchase costs deposited with notaries.

- Other accounts receivable from public authorities: Other accounts receivable from public authorities fell EUR -444 thousand in favour of Renta Corporación, as compared to December 2019, due chiefly to the refund of income tax from prior years.

(Amounts in thousands of euros)

Liquidity was a priority during 2020 and, therefore, it was monitored regularly and thoroughly. At year-end it totalled EUR 7,677 thousand, EUR 2,324 thousand higher than in 2019, which will enable the Group to fulfil its payment obligations and investment requirements in the medium term.

Equity stood at EUR 66,830 thousand down -9,011 thousand against EUR 75,841 thousand in December 2019, due mainly to the loss for the year amounting to EUR -8,802 thousand and the variation of Vivenio's share price at 31 December 2020 for a net value of EUR -420 thousand, as well as to payments made on account of shares for EUR 194 thousand.

In order to safeguard liquidity, among other measures, at the meeting held on 13 May 2020 the Board of Directors agreed to submit a new proposal to the Annual General Meeting for the distribution of profit that did not include the payment of a final dividend for 2019 amounting to EUR 2,100 thousand. Such proposal was approved by the Annual General Meeting on 16 June.

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

Thousands of euros	**2020**	**2019**	**Change**
Long-term Arrangement with Creditors	1,022	1,465	(443)
IFRS 16 Leases	897	1,071	(174)
Deferred taxes	2,290	2,276	14
Total non-current payables	**4,209**	**4,812**	**(603)**

- Long-term Arrangement with Creditors: This item reflects the debt held with pre-insolvency creditors amounting to EUR 1,022 thousand, approximately half of which is to be paid by 2022. 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.
- **Long-term finance leases (IFRS 16):** This item totals EUR 897 thousand and arose from the first application in 2019 of IFRS 16 on the recognition of leases.
- **Deferred taxes:** This item stands at EUR 2,290 thousand and remains at the same level as at 2019 year-end.

Current payables other than financial liabilities amount to:

Thousands of euros	**2020**	**2019**	**Change**
Current payables	4,208	5,571	(1,363)
Remuneration payable	331	138	193
Other accounts payable to public authorities	2,163	2,221	(58)
IFRS 16 Leases	177	170	7
Downpayments for pre-sales and unearned income	1,180	2,357	(1,177)
Total other payables	**8,058**	**10,457**	**(2,398)**

Note: "IFRS 16 Leases" are accounted for under "Other current financial liabilities" in the heading "Current payables".

(Amounts in thousands of euros)

The items that varied the most are:

- Current payables are comprised of the creditors related to the purchase, conversion and sale transactions performed by the Group. At year-end they stood at EUR 4,208 thousand, down EUR -1,363 thousand against 2019 year-end, mainly due to the termination of a joint venture created for a transaction that was eventually disregarded.

- Pre-sales downpayments and prepayments totalled EUR 1,180 thousand, down EUR -1,177 thousand at the closing of 2019, and will result in future revenue of EUR 10,248 thousand in Madrid, and of EUR 5,537 thousand in Barcelona.

The **debt** totalled EUR 72,702 thousand, down EUR -14,233 thousand against the figure at the closing of 2019.

Thousands of euros	**2020**	**2019**	**Change**
Mortgages	26,374	35,649	(9,275)
Other payables	29,327	34,112	(4,785)
Participating debt	17,001	17,174	(173)
Total financial debt	**72,702**	**86,935**	**(14,233)**

The **net financial debt** came down significantly down to EUR 47,482 thousand against EUR 64,036 thousand at the closing of the previous period due, mainly, to the repayment of the mortgage debt and other debts related to sold assets.

Thousands of euros	**2020**	**2019**	**Change**
Mortgages	26,374	35,649	(9,275)
Other payables	29,327	34,112	(4,785)
Total financial debt	**55,701**	**69,761**	**(14,060)**
(−) Cash and financial assets	(8,219)	(5,725)	(2,494)
Total net financial debt	**47,482**	**64,036**	**(16,554)**

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 all it can 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

During 2020, in addition to the mortgage loans for the purchase and refurbishment of assets, non-mortgage loans and bonds, the commercial paper facility mentioned above was renewed. Also, in the last quarter the Company registered in ICO's direct guarantee facility programme through MARF commercial papers and later on in February 2021, in MARF ICO-backed commercial paper programme.

At present the Group 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.

Analysis of contractual obligations and off-balance sheet transactions

The Group did not have any contractual obligations at 31 December 2020 that might give rise to a future cash outflow, other than the obligations related to its core business.

At 31 December 2020, 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 65,394 thousand that, if recognised, would constitute a tax asset of EUR 16,348 thousand.

5. Main risks and uncertainties

As stated above, in view of the situation triggered by COVID-19, in the first half of 2020 the Parent set up an internal committee called "COVID-19 Committee" formed by the Chairman of the Audit Committee and Coordinating Director, the CEO and the Corporate General Manager that reports directly to the Audit Committee. The purpose of this Committee was to monitor the evolution of the state of alarm closely, addressing any potential financial and non-financial impact; outline a contingency plan to be applied groupwide; and report its conclusions to the Board of Directors. This Committee will remain active as long as the uncertainty arising from the pandemic persists.

Financial risk factors

The Group's activities are exposed to various financial risks: market risk, including foreign exchange 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 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 Company's operating units. Renta Corporación's Board of Directors sets policies for global risk management, as well as for the management of foreign exchange risk, interest rate risk, liquidity risk, the use of derivative and non-derivative instruments and investment of surplus liquidity.

<u>Market risk: foreign exchange risk</u>

The Group defines foreign exchange 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.

<u>Market risk: interest rate risk</u>

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

This participating loan, recognised as a liability of EUR 18,339 thousand, 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 million. If the consolidated net profit is less than EUR 10 million, no floating interest will accrue. In 2020 this loan accrued no interest.

The Parent issued bonds on 2 October 2018 in the amount of EUR 16,500 thousand with a coupon rate of 6.25%.

At 31 December 2020 the amount drawn by the Group under the aforementioned commercial paper programmes totalled a par value of EUR 4,900 thousand at a nominal interest rate between 2.00% and 5.00%.

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.

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.

<u>Credit risk</u>

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. The current situation of the markets is sparking increased liquidity tensions in the economy at large, with the credit market crunching.

The Group has a diversified financial structure consisting of bank and non-bank finance, the latter being mainly bonds and commercial papers. This diversified structure provides more flexibility to address those transactions that, given their nature, traditional banks are more reluctant to finance as they are now more restrictive.

Also, in light of the Group's performance in 2020 due to the current market scenario, the Group has reached an agreement with the bondholders of the 2018 issue whereby the covenant calculation will be suspended until 2022.

<u>Liquidity risk</u>

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.

The Group has further diversified its sources of finance gaining more flexibility to undertake projects that are more unlikely to be financed by traditional banks. In this regard, on 7 May 2020 the Parent renewed its commercial paper programme on the Alternative Fixed-Income Market. Additionally, in the last quarter of 2020 it registered in ICO (Official Credit Institute) direct guarantee facility programme through MARF commercial papers and, on 4 February 2021, in the MARF ICO-backed commercial paper programme.

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.

<u>Capital risk management</u>

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.

<u>Risks from operations</u>

The current changing and unpredictable events might bring developments or sales to a temporary halt like the one already experienced during the lockdown in 2020. Most of the Company's revenue derives from its transactions. Therefore, the Company's revenue and profit depend on the supply and demand of real estate assets. Also, to this date the Company's entire business is carried out in Spain; therefore, any change in the country's economic scenario might have a direct impact on the business performance. Predictably, the macroeconomic situation and the markets' uncertainty caused by the pandemic, among other factors, might affect the Company's current and future volume of transactions.

6. ***<u>Outlook for the Group</u>***

Due to the current market scenario and the fact that its effects will last longer than initially envisaged, Renta Corporación has re-evaluated its five-year strategic plan, reflecting the delay in its implementation and forecasting the recovery of pre-COVID levels in 2022. The Group has not changed the plan hypotheses nor its value drivers, which continue to lie in increasing the size of the transactions and developing the asset management business, adding new leased asset management vehicles in non-residential segments. In this regard, the 2021-2025 strategic plan approved by the Board of Directors on 24 February 2021 is based on a future strategy aimed at consolidating the Group's market positioning. To this end, the Group is taking the following approach:

a. Improving its operating margin by increasing the number of transactions and, in particular, the average scale thereof. The transactional business visibility in 2021 is high given the trading portfolio held by the Group at the closing of 2020. In turn, it is estimated that investments in the asset business will pick up as of the second half of 2021.

b. Maintaining and even cutting overhead costs, adapting them 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.

7. <u>Disclosures on periods of payment to suppliers</u>

The average period of payment to suppliers at 31 December 2020 was 26 days.

8. <u>Research and Development</u>

The Company did not incur any research and development expenditure in 2020.

9. <u>Treasury shares and stock market information</u>

In 2020 a total of 474,740 treasury shares were acquired, 483,212 were sold and 111,379 were delivered to employees, all amounting to EUR 358 thousand and being recognised under "Other employee benefit costs" and "Non-current investments in Group companies and associates".

At 31 December 2020, the Parent held a total of 592,727 treasury shares against 712,578 shares at the closing of 2019. The par value of such shares amounts to EUR 593 million.

The share market price at 2020 year-end was EUR 2.05 per share, 35% lower than the price of EUR 3.15 per share at 2019 year-end.

(Amounts in thousands of euros)

10. *Alternative Performance Measures*

Alternative Performance Measures	Unit	Definition	31 December 2020	31 December 2019	Relevance
EBITDA	Thousands of euros (K€)	Consolidated profit or loss from operations + Changes in value of investment property - Depreciation and amortisation	-5,428K€ = -6,177K€ + 304K€ + 445K€	21,032 K€ = 18,833K€ + 300K€ + 1,899K€	Measure of operating profitability excluding interest, taxes, provisions and amortisation
EBIT	Thousands of euros (K€)	EBITDA - Amortisations	-5,732 K€ = -5,428K€ - 304K€	20,732K€ = 21,032€ - 300K€	Measure of operating profitability excluding interest and taxes
Transactional business operating margin (*)	Thousands of euros (K€)	Revenue + Other operating income - Changes in inventories of buildings acquired for refurbishment and/or conversion - Purchases - Other operating expenses	5,153K€ = 38,766K€ - 31,689K€ - 936m€ - 988K€	19,835K€ = 77,360K€ - 54,555K€ - 2,970K€	Measure of operating profitability of the Transactional business, excluding the allocation of staff and overhead costs
Asset business operating margin (*)	Thousands of euros (K€)	Net revenue + Other operating income + Changes in fair value of investment property	2,792K€ = 5,753K€ - 3,406K€ + 445K€	11,007K€ = 12,190K€ - 3,082K€ – 1,899K€	Measure of operating profitability of the Asset business, excluding the allocation of staff and overhead costs
Strategic inventories	Thousands of euros (K€)	Buildings acquired for refurbishment and/or conversion	40,918K€	62,916K€	Measure of investment volume in property inventories
Portfolio	Thousands of euros (K€)	Strategic inventories + Right to purchase an asset in the future obtained through net purchase options	129,835K€ = 40,918K€ + 88,917K€	211,344K€ = 62,916K€ + 148,428K€	Measure of the capacity to generate future business
Net financial loss	Thousands of euros (K€)	Finance income - Finance costs +- Impairment and gains or losses on disposals of financial instruments	-3,113K€ = 1,069K€ - 4,182K€	-3,536K€ = 49K€ - 3,591K€ + 6K€	Measure of finance costs
Net financial debt	Thousands of euros (K€)	(Total non-current payables + Total current payables - Participating loan - Non-current payables from Arrangement with Creditors - IFRS 16) - Cash and cash equivalents - Current financial assets	47,482K€ = (40,882K€ + 33,916K€ - 17.001K€ - 1,022K€ - 1,074K€) - 7,677K€ - 542K€	64,037K€ = (42,058K€ + 47,582K€ - 17,174K€ - 1,241K€ – 1,463K€) - 5,353K€ - 372K€	Current and non-current financial debt, less cash and financial assets similar to cash

(*) Data disclosed in Note 6. Segment reporting.

11. Events after the reporting date

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.

12. Annual Corporate Governance Report

The Corporate Governance Report, attached as an Appendix hereto, is comprised of 65 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 2020 consolidated financial statements

Formal procedure document regarding the signatures of Board members separate from the financial statements and directors' report authorised for issue.

The Board of Directors of Renta Corporación Real Estate, S.A., in compliance with current trade regulations, authorised for issue the consolidated financial statements and the consolidated directors' report for the year 2020 according to the format and tagging set out in the Commission Delegated Regulation (EU) 2019/815.

The members of the Board of Directors of the Company hereby state that the aforementioned consolidated financial statements and consolidated directors' report for the year 2020 were prepared unanimously and subsequently approved by the shareholders.

Luis Hernández de Cabanyes
Chairman and CEO

David Vila Balta
Deputy Chairman and CEO

Manuel Valls Morató
Director

Ainoa Grandes Massa
Director

Cristina Orpinell Kristjansdottir
Director

Elena Hernández de Cabanyes
Director

The authorisation for issue of the consolidated financial statements and the consolidated directors' report for the year 2020 was approved by all the members of the Board of Directors of the Company, albeit the signatures of Mr Blas Herrero Fernández, ORAVLA INVERSIONES, S.L. (duly represented by Mr Baldomero Falcones Jaquotot) and Mr Luis Conde Moller are not contained herein due to the regulatory restrictions enforced nationally in the context of the Covid-19 pandemic.

José Mª Cervera Prat
Non-director Secretary