

## **GLOBAL PIÉLAGO, SOCIMI, S.A. and subsidiaries**

Consolidated annual financial statements for the period from 29 January 2020 to 31 December 2020, formulated in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU, and consolidated Directors' Report

**Audit Report on Consolidated Financial Statements  
issued by an Independent Auditor**

**GLOBAL PIELAGO, SOCIMI, S.A. AND SUBSIDIARIES  
Consolidated Financial Statements and  
Consolidated Management Report  
for the period from January 29, 2020  
to December 31, 2020**



## **AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR**

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

To the shareholders of GLOBAL PIELAGO, SOCIMI, S.A.:

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### **Opinion**

We have audited the consolidated financial statements of GLOBAL PIELAGO, SOCIMI, S.A. (the parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet at December 31, 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in net assets, the consolidated cash flow statement, and the notes thereto, for the period from January 29, 2020 (incorporation date of the parent) to December 31, 2020.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of consolidated equity and the consolidated financial position of the Group at December 31, 2020 and of its financial performance and its consolidated cash flows, for the period from January 29, 2020 to December 31, 2020 in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework applicable in Spain.

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### **Basis for opinion**

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

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

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## More relevant audit issues

Most relevant audit issues are those matters that, in our professional judgment, were the most significant assessed risks of material misstatements in our audit of the consolidated financial statements of the current period. These risks were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these risks.

### *Valuation of Real Estate Investments*

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**Description** The Group has registered under the heading of real estate investments in the consolidated statement of position as of December 31, 2020, a net amount of 49,173 thousand euros corresponding to the properties owned by the Group. The breakdown corresponding to these assets is detailed in Note 6 of the attached consolidated annual financial statements.

The Group uses the fair value model for its real estate investments (IAS 40) as an accounting policy, recording the difference between the fair value and the previous book value in the consolidated income statement as detailed in Note 6 of the attached consolidated report. Directors of the Parent Company periodically determine the fair value of real estate investments, taking as reference values the valuation carried out by an independent expert in accordance with the valuation standards of the Royal Institution of Chartered Surveyors "RICS". The determination of these fair values requires significant judgments and estimates to be made by the independent expert and the Directors of the parent Company. The detail of the different methodologies used is detailed in Note 4 of the accompanying consolidated report. The relevance of the amounts involved and the high sensitivity of the analyzes carried out with respect to the changes in the assumptions used has made us consider the valuation of real estate investments as one of the most relevant aspects of our audit.

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**Our response** In relation to this area, our audit procedures have included, among others:

- ▶ Review of the reasonableness of the valuation models used by the independent expert, in collaboration with our specialists in real estate asset valuations, covering the mathematical analysis of the model, the identification and review of the hypotheses used, verification that the information used is complete, adequate and relevant, as well as an assessment that it is supported by observable market data, including the performance of comparison procedures on the valuations, if necessary.
- ▶ Verification that the attached consolidated financial statements includes the related information disclosures required by the applicable financial reporting framework.

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## Other information: consolidated management report

Other information refers exclusively to the consolidated management report for the period from January 29, 2020 to December 31, 2020, the preparation of which is the responsibility of the parent company's directors and is not an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. In conformity with prevailing audit regulations in Spain, our responsibility in terms of the consolidated management report is to assess and report on the consistency of the management report with the consolidated financial statements based on the knowledge of the Group obtained during the audit, and to assess and report on whether the content and presentation of the consolidated management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

Based on the work performed, as described in the above paragraph, the information contained in the consolidated management report is consistent with that provided in the consolidated financial statements for the period from January 29, 2020 to December 31, 2020 and its content and presentation are in conformity with applicable regulations.

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### **Responsibilities of the parent company's directors for the consolidated financial statements**

The directors of the parent company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and results of the Group, in accordance with IFRS-EU, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors of the parent company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the significant risks communicated with the directors of the parent company, we determine those that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the most significant assessed risks.

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

ERNST & YOUNG, S.L.  
(Registered in the Official Register of  
Auditors under No. S0530)

(Signature on the original in Spanish)

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Fernando González Cuervo  
(Registered in the Official Register of  
Auditors under No. 21268)

March 5, 2021

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## GLOBAL PIÉLAGO, SOCIMI, S.A. and subsidiaries

### Consolidated Balance Sheet 31 December 2020

(In euros)

<b>ASSETS</b>	<b>Notes</b>	<b>2020</b>
<b>NON-CURRENT ASSETS</b>		<b>49,198,287</b>
<b>Investment properties</b>	<b>6</b>	<b>49,173,300</b>
Land		35,839,129
Buildings		13,327,385
Fixed assets in progress		6,786
<b>Non-current financial investments</b>	<b>7</b>	<b>24,987</b>
<b>CURRENT ASSETS</b>		<b>13,588,117</b>
<b>Inventories</b>	<b>6 and 8</b>	<b>3,828,121</b>
Supplier advances		3,828,121
<b>Trade and other receivables</b>		<b>1,472,733</b>
Trade receivables for sales and services	9	1,305,267
Other receivables	9	127,294
Other receivables from Public Entities	14	40,172
<b>Cash and cash equivalents</b>	<b>10</b>	<b>8,287,263</b>
Cash		8,287,263
<b>TOTAL ASSETS</b>		<b>62,786,404</b>

Notes 1-21 to the consolidated report are an integral part of the consolidated annual financial statements for the period from 29 January 2020 to 31 December 2020.



# GLOBAL PIÉLAGO, SOCIMI, S.A. and subsidiaries

## Consolidated Balance Sheet 31 December 2020

(In euros)

<b>EQUITY AND LIABILITIES</b>	<b>Notes</b>	<b>2020</b>
<b>EQUITY</b>		<b>37,064,790</b>
<b>SHAREHOLDERS' EQUITY</b>		<b>37,064,790</b>
<b>Capital</b>	<b>11</b>	<b>5,000,000</b>
Subscribed capital		5,000,000
<b>Issue premium</b>	<b>11</b>	<b>7,602,083</b>
<b>Other shareholder contributions</b>	<b>11</b>	<b>8,339,746</b>
<b>Income attributable to shareholders</b>	<b>11/15</b>	<b>16,122,961</b>
<b>NON-CURRENT LIABILITIES</b>		<b>24,547,726</b>
<b>Non-current payables</b>	<b>12,1</b>	<b>13,606,896</b>
Loans and borrowings		7,972,679
Other non-current receivables		5,634,217
<b>Non-current payables to Group companies and associates</b>	<b>12,2</b>	<b>10,940,830</b>
<b>CURRENT LIABILITIES</b>		<b>1,173,888</b>
<b>Current payables</b>	<b>12,1</b>	<b>4,263</b>
Loans and borrowings		4,263
<b>Trade and other payables</b>		<b>1,169,625</b>
Payables to suppliers	13	1,113,646
Other payables	14	51,055
Supplier advances	9	4,924
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>62,786,404</b>

Notes 1-21 to the consolidated report are an integral part of the consolidated annual financial statements for the period from 29 January 2020 to 31 December 2020.

## GLOBAL PIÉLAGO, SOCIMI, S.A. and subsidiaries

Consolidated income statement for the period from 29 January 2020 to 31 December 2020

(In euros)

<b>INCOME STATEMENT</b>	<b>Notes</b>	<b>2020</b>
<b>CONTINUING OPERATIONS</b>		
Net turnover	6 and 15 a)	235,501
Supplies	15 c)	(1,419,210)
Other operating income	15 b)	2,381,715
Other operating expenses	15 d)	(1,303,995)
Outside services		(1,303,995)
Variation in fair value of investment properties	6	16,429,331
Revaluation		18,163,276
Impairment		(1,733,945)
<b>PROFIT/(LOSS) FROM OPERATING ACTIVITIES</b>		<b>16,323,342</b>
Finance income		
Finance expense	12 and 15	(200,381)
<b>FINANCE INCOME/(EXPENSE)</b>		<b>(200,381)</b>
<b>PROFIT/(LOSS) BEFORE TAXES</b>		<b>16,122,961</b>
Income tax	14	-
<b>INCOME ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>16,122,961</b>

Notes 1-21 to the consolidated report are an integral part of the consolidated annual financial statements for the period from 29 January 2020 to 31 December 2020.

## GLOBAL PIÉLAGO, SOCIMI, S.A. and subsidiaries

### Consolidated Statement of Income for the period from 29 January 2020 to 31 December 2020

(In euros)

	Notes	2020
<b>Profit/(Loss) for the period</b>		<b>16,122,961</b>
<b>Other comprehensive income:</b>		
Items to be transferred to Net Assets		-
Other comprehensive income for the period		-
<b>Comprehensive Income</b>		<b>16,122,961</b>
<b>Attributable to shareholders of the parent company</b>	<b>11 and 15</b>	<b>16,122,961</b>

Notes 1-21 to the consolidated report are an integral part of the consolidated annual financial statements for the period from 29 January 2020 to 31 December 2020.

## GLOBAL PIÉLAGO, SOCIMI, S.A. and subsidiaries

### Consolidated statement of changes in equity for the period from 29 January 2020 to 31 December 2020

(In euros)

	Share capital (Note 11)	Issue premium (Note 11)	Profit/(Loss) for the year (Notes 11 and 15)	Other shareholder contributions (Note 11)	Total
<b>Balance at 31/12/2019</b>	-	-	-	-	-
<b>Total recognised income and expense</b>	-	-	<b>16,122,961</b>	-	<b>16,122,961</b>
<b>Other changes in equity:</b>	<b>5,000,000</b>	<b>7,602,083</b>	-	<b>8,339,746</b>	<b>20,941,829</b>
Capital increases	5,000,000	7,602,083	-	-	12,602,083
Shareholder contributions	-	-	-	8,339,746	8,339,746
<b>Balance at 31/12/2020</b>	<b>5,000,000</b>	<b>7,602,083</b>	<b>16,122,961</b>	<b>8,339,746</b>	<b>37,064,790</b>

Notes 1-21 to the consolidated report are an integral part of the consolidated annual financial statements for the period from 29 January 2020 to 31 December 2020.

## GLOBAL PIÉLAGO, SOCIMI, S.A. and subsidiaries

### Consolidated cash flow statement for period from 29 January 2020 to 31 December 2020 (in euros)

	Notes	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit/(Loss) for the period before taxes</b>		<b>16,122,961</b>
From continuing operations	15	16,122,961
<b>Adjustments to profit/(loss)</b>		<b>(16,232,223)</b>
Variation in fair value of investment properties	6	(18,163,276)
Impairments (+/-)	6	1,733,945
Finance expense	15.e)	197,108
<b>Changes in working capital</b>		<b>(4,110,906)</b>
Increase/(Decrease) in Inventories	6 and 8	(3,828,121)
(Increase)/Decrease in Receivables	9 and 14	(1,472,733)
Increase/(Decrease) in Payables	9, 13, 14	1,169,625
Other non-current assets and liabilities (+/-)	7 and 12	20,323
<b>Other cash flows from operating activities</b>		<b>-</b>
<b>Cash flows from operating activities</b>		<b>(4,220,168)</b>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
<b>Payments for investments</b>		<b>(32,743,969)</b>
Investment properties	6	(32,743,969)
<b>Cash flows from investment activities</b>		<b>(32,743,969)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>Collections and payments for equity instruments</b>		<b>20,941,829</b>
Issue of equity instruments	11	20,941,829
<b>Collections and payments for equity instruments</b>		<b>25,639,983</b>
Receivables from Group companies and associates	12,2	10,750,988
Loans and borrowings	12,1	9,300,088
Other receivables	12,1	5,588,907
<b>Repayments and amortisation</b>		<b>(1,330,412)</b>
Loans and borrowings	12,1	(1,330,412)
<b>Cash flows from financing activities</b>		<b>45,251,400</b>
<b>NET INCREASE / DECREASE IN CASH OR CASH EQUIVALENTS</b>		
	<b>10</b>	<b>8,287,263</b>
Cash or equivalents at the start of the year		-
Cash or equivalents at the close of the year	10	<b>8,287,263</b>

## **GLOBAL PIÉLAGO, SOCIMI, S.A. and subsidiaries**

Consolidated annual financial statements for the period from 29 January 2020 to 31 December 2020

### **1. General information**

Global Piélago, SOCIMI, S.A., hereinafter the Parent Company, is a Spanish public limited company, with VAT No. A88581251, incorporated for an indefinite period under a deed delivered before a Madrid notary public on 29 January 2020; it is entered on the Madrid Register of Companies, volume 40,174, page 110, sheet M-713884, entry No. 1. Its current registered offices are located at Paseo de la Castellana, 93, 13th floor, 28046 Madrid.

The Company was initially incorporated as a limited liability company under said public deed delivered on 29 January 2020. It was converted into a public liability company under public deed of 5 March 2020, in Madrid.

Its registered offices at the time it was incorporated were located in Calle Suero de Quiñones 34-36, 1st floor, 28002 Madrid. On 25 June 2020 it moved to its current offices, as set down in public deed, at which time its name was also changed to its current name.

The Company's corporate object is:

- a) The acquisition and development of urban real estate for lease.
- b) The holding of shares in the capital of other SOCIMI or in other companies non resident in Spain with the same corporate purpose and which are subject to a regime similar to the one established for SOCIMIs in relation to the obligatory policy on appropriation of profit stipulated by law or the bylaws.
- e) The holding of shares in the capital of other companies resident or non resident in Spain, whose main corporate purpose is the acquisition of urban real estate for lease, which are subject to the regime established for SOCIMIs in relation to the obligatory policy on distribution of dividends stipulated by law or the bylaws and meet the investment requirements referred to in art. 3 of Law on Listed Real Estate Investment Companies.

The holding of public or private limited liability shares in Collective Real Estate Investment Undertakings governed by Law 35/2003, of 4 November, on Collective Investment Undertakings.

In addition to the business activity deriving from the company's primary corporate purpose, SOCIMI may also undertake ancillary activities, i.e. any activities the revenues from which account for less than 20% of the revenue in the company in any tax period, or any considered ancillary by law at any given time. The corporate purpose excludes any activities legally required to comply certain conditions not met by the Company or its Bylaws.

On 25 June 2020, a resolution of the General Shareholders' Meeting, resolving that the Company would opt for the special regime for listed real estate investment trusts (SOCIMI, in Spanish), regulated by Act 11/2009 of 26 October, was put on public deed.

We now list the primary elements defining the SOCIMI regime which applies to the Company.

### **SOCIMI Regime**

Global Piélago SOCIMI, S.A. is regulated by Act 11/2009 of 26 October, as amended by Act 16/2012 of 27 December, on Listed Real Estate Investment Trusts.

The primary characteristics defining the SOCIMI regime, which must be met for the regime to be applied correctly, are:

#### **1. Corporate Purpose.**

- The primary corporate purpose of the company must be that of holding real estate for lease, holding interests in other SOCIMI or companies having a similar corporate purpose and the same dividend distribution regime and in Collective Investment Schemes.

#### **2. Investment.**

- The company must invest at least 80% of its asset value in real estate for lease, in land for the development of real estate to be used for said purpose (providing that development commences within three years of its acquisition), and in interests in the capital of other companies having a similar corporate purpose to that of the company.

The asset value will be determined according to the average of the quarterly individual balance sheets for the financial year, and the Company may choose to calculate that value by replacing the carrying amount with the market value of the elements comprising those balance sheets, which would be applied to all balance sheets for the financial year. This determination will not include any cash or credit rights issuing from the transmission of said properties or interests made in the same or previous years, providing, in this latter case, that the reinvestment term specified in Article 6 of the Act has not elapsed.

This percentage will be calculated on the basis of the consolidated financial statements if the company is the parent of a group according to the criteria established in art. 42 of the Code of Commerce, regardless of the place of residence and of the obligation to prepare consolidated annual financial statements. This group will be exclusively composed of the SOCIMIs and the rest of the companies to which art. 2.1 of the Law refers.

The Company is the parent in a group comprising itself, Global Piélago, SOCIMI, S.A. and Global Sauco, SOCIMI, S.L.

- Likewise, 80% of its revenues within the tax period should be obtained from: (i) real estate leasing and (ii) dividends on interests. This percentage will be calculated on the basis of the consolidated income statement if the Company is the parent of a group of companies according to the criteria established in art. 42 of the Code of Commerce, regardless of the place of residence and of the obligation to prepare consolidated annual financial statements. This group will be exclusively composed of the SOCIMIs and the rest of the companies to which art. 2.1 of the Law 11/2009 refers.

- Properties must be leased for at least three years (for calculation purposes, up to one year may be added from the period during which they were available for lease). Interests in the asset must be retained for at least three years.

### 3. Trading on a regulated market.

SOCIMI must be listed for trading on a regulated stock market in Spain or in any other country with which tax information is exchanged. Shares must be registered stocks.

At 31 December 2020, the Company shares are not listed on the stock market.

### 4. Distribution of Gains:

The Company must distribute the following dividends, after complying with the applicable business requirements:

- One hundred percent of the profits from dividends or profit sharing distributed by the companies to which art. 2.1 of Law 11/2009 refers.

- At least 50% of the profits from the transfer of real estate and public or private limited liability company shares referenced in art. 2.1 of Act 11/2009, made after the minimum holding period, subject to compliance with its primary corporate purpose. The remaining profits should be reinvested in other real estate or shares subject to the fulfilment of that purpose, within three years as of the transfer date.

- At least 80 percent of the rest of the profits obtained. When the distribution of dividends is made against reserves from profits of a year in which the special tax scheme was not applied, their distribution must be adopted as described above.

### 5. Information.

SOCIMI are required to include in the report accompanying their annual accounts the information required by the tax legislation governing the special regime for SOCIMIs.



## 6. Minimum capital.

The minimum stock capital is established at €5 million.

Companies may opt for the application of the special tax scheme in the terms established in article 8 of the Act, even when they do not meet the minimum requirements established therein, providing the requirements are met within two years of opting for the regime.

Failure to comply with any of said conditions will mean that the Company will be included under the general Corporate Income Tax regime from the year in which said failure comes about, unless it is remedied in the following year. Moreover, in addition to the quota for the year in question, the Company will also be required to pay the difference between the quota given by applying the general scheme and the quota paid after applying the special tax regime in the previous year, in addition to any delay interest, surcharges and sanctions which may apply.

The Parent Company and the investee, as defined below, opted to adopt the SOCIMI regime by notifying the Spanish Tax Agency on 25 June 2020, having agreed as much at their General Meeting.

At the time of filing these Consolidated Annual Financial Statements, both companies are in the provisional period established by Law for compliance with the requirements specified above. At 31 December 2020, neither complied with all of the requirements stipulated in the Act.

The Company is the parent in a group of companies and files consolidated annual financial statements formulated in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU.

### 1.1. Subsidiaries

The Company is the head of a corporate group, thereby being the parent of the following subsidiary at 31 December 2020:

Company	Registered address	Activity	Holding %	Consolidation method
GLOBAL SAUCO, SOCIMI, S.L. (*)	Spain	SOCIMI	100% - direct	Full Consolidation

(\*) Not audited.

On 5 March 2020, in Madrid, the Parent Company acquired 100% of the stock capital of Global Sauco, SOCIMI, S.L.U. (Hereinafter, “the subsidiary”), also incorporated in 2020, under public deed No. 446.

Global Sauco, SOCIMI, S.L.U. is a Spanish limited liability company, with VAT No. B88581236, incorporated for an indefinite period under a deed delivered before a Madrid notary public on 29 January 2020, number 297; it is entered on the Madrid Register of Companies, volume 40,174, page 130, sheet M-713886, entry No. 1a. Its current registered offices are located at Paseo de la Castellana, 93, 13th floor, 28046 Madrid.

Its registered offices at the time it was incorporated were located in Calle Suero de Quiñones 34-36, 1st floor, 28002 Madrid. On 25 June 2020 it moved to its current offices, as set down in public deed No. 2,247, at which time its name was also changed to its current name.

The subsidiary is also a SOCIMI and has the same corporate purpose as the parent company. On 25 June 2020, a resolution of the General shareholders' Meeting, under which it was agreed that the Company should be ruled by the special regime for listed real estate investment trusts (SOCIMI, in Spanish), regulated by Act 11/2009 of 26 October, was put on public deed.

The assets held by the Group at the end of 2020 were acquired by the Subsidiary after joining the Group.

When Global Sauco, SOCIMI, S.L.U. was acquired by Global Piélagos, SOCIMI, S.A., the latter became the parent company of a corporate group, this being the first year in which consolidated annual statements are filed.

## 1.2 Management and Subscription Agreements

The following is a summary of the most important points of a series of management agreements issued originally in English.

### 1.2.1. Management Agreement

In June 2020, the Company signed a Management Agreement with Briks Residential, S.L. (Management Company), regulating aspects having to do with advisory and management services and the remuneration to be received by the Management Company in exchange for said activity.

The agreement is made for an unlimited time and may be terminated for any of the reasons stated in Point 9 therein, including withdrawal of either party, providing they give twelve months' notice.

The services provided by the management company to the parent company and investee include:

- a) General services. Coordination in the acquisition of properties. Formulation and implementation of Business Plan and yearly budget. Overseeing the requirement to send reports to banks and investors. Overseeing and coordinating the annual evaluations of investment properties. Overseeing the appointment of service providers. Monitoring CapEx plans for investments. Implementing sales strategies. Assisting clients with insurance decisions. Overseeing accounts books and other tax obligations.
- b) Strategic services. Advisory services in regard to investment price policy. Recommendations in relation to the Business Plan in order to maximise yield. Overseeing agreements with regard to the selection of service providers, and supervising their performance.
- c) Asset Management Services: Providing precise instructions to Property Managers in relation to managing the properties. Liaising with regulatory agencies. Coordinating the filing of the Audited Annual Accounts, and assisting the auditors.
- d) Property Management Services: Keeping a database of lessees. Keeping copies of legal documents relating to the properties. Ensuring compliance with all formal obligations in relation to the properties.
- e) Maintenance and Upkeep Services. Monitoring expenses in relation to the properties and working with the Property Managers to formulate reports in relation to said monitoring. Ensuring the upkeep of the properties.
- f) Rent and Expense Collection Services. Negotiations and agreements with lessees. Monitoring financial ratios in relation to lessees. Making lease agreements. Overseeing rent and advances paid by lessees.
- g) Reporting services. Organising meetings and conferences in relation to the management of the properties. Sending reports to the Company

and shareholders. Helping with the formulation of Annual Accounts and audits.

- h) Financial Advisory Services. Working with a range of service providers, to monitor project costs in relation to the Business Plan and advise accordingly.
- i) Disposals. Providing advisory services in relation to strategy and proceedings with regard to disposing of properties, and preparing material for marketing policy elements. Coordinating the Company's service providers in sales processes.

The management contract establishes a series of fees, as follows:

#### Acquisition Fee:

As owner of the properties, the investee, Global Sauco, SOCIMI, S.L. will pay the management company management fees of 0.75% of the total individual acquisition price of assets in the "Alcazar I" development, the private acquisition contract over which was signed between the parties on 7 April 2020.

With regard to the acquisition of properties not included in said development, the company which acquires the properties will pay the management acquisition fees of 0.5% the individual acquisition price to the management company.

#### Asset Management Fees:

The management company will be entitled to receive annual fees calculated at 0.5% of the total acquisition price of each of the Company's properties, plus the CapEx expenses over each asset (plus VAT).

## **2. Basis of preparation of the consolidated annual financial statements**

The consolidated annual financial statements for the year 29 January 2020 (date of incorporation) until 31 December 2020 were obtained from the books of the Company and the subsidiary up to 31 December 2020. They were formulated by the Company's directors in accordance with the International Financial Reporting Standards (IFRS) and the IRFS Interpretations Committee, adopted by the European Union as Regulation (EC) No 1606/2002 of the European Parliament and of the Council and successive amendments thereto.

As this is first year that the Company is active, being the year in which it was incorporated (see Note 1), no comparative figures are given. From now on, 2020 refers to the period from the date of incorporation (29 January 2020) to 31 December 2020.

The consolidated annual financial statements of the group for 29 January 2020 to 31 December 2020 are the first annual accounts to which the IRFS are applied. The Group has applied IFRS 1 in formulating the consolidated annual financial statements.

These consolidated annual financial statements refer to the period from 29 January 2020 to 31 December 2020. The IFRS were adopted on 29 January 2020, this being the date on which the Parent Company was incorporated.

The Parent Company's Directors prepared the consolidated annual financial statements at 31 December 2020 in accordance with the going concern principle.

Formulating these consolidated annual financial statements in accordance with the IFRS requires the use of certain critical accounting estimations. It also requires that Management use their knowledge in the process of applying the Group's accounting policies. Note 4 to these consolidated annual financial statements stipulates those areas which require a high degree of understanding or complexity and the areas in which hypotheses and estimations have a material effect on these consolidated annual financial statements.

The currency in which these consolidated annual financial statements are formulated is the Euro, this being the currency in which the Group operates.

The figures contained in these consolidated annual financial statements are expressed in euros to two decimal places, unless otherwise indicated.

## 2.1 Scope of Consolidation

Throughout 2020, the acquisitions and interests acquired in Note 1.1 were acquired, extending the scope of consolidation.

## 2.2 Adoption of International Financial Reporting Standards

Standards and interpretations approved by the European Union and becoming effective in the year

During 2020, a series of standards, amendments and interpretations came into effect. These, if applicable to the Group, are to be used in formulating the consolidated annual financial statements:

<b>Standards, Amendments and Interpretations</b>	<b>Description</b>	<b>Effective Date</b>
Amendments to IAS 1 and IAS 8: Definition of "materiality"	Amendments to IAS 1 and IAS 8 to align the definition of "materiality" used in the Conceptual Framework and the standards themselves.	1-Jan-20
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate benchmark reform	Amendments to IFRS 9, IAS 39 and IFRS 7 relating to the undergoing reform in benchmark interest rates.	1-Jan-20
Amendments to IFRS 3: Business combinations	Clarifying the definition of a business.	1-Jan-20

Amendment to IFRS 16: COVID-19-related rent concessions	Amendment to make it easier for lessees to account for COVID-19-related rent concessions.	1-Jun-20
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There have been no significant impacts to the Group's consolidated financial statements deriving from the application of this standard

Standards and interpretations issued by the IASB, not effective in the period

The following standards were not in force in 2020, either because their effective date is later than that of the consolidated annual financial statements, or because they had not yet been adopted by the European Union:

The Group intends to adopt the standards, interpretations and amendments to the standards issued by the IASB but not yet mandatory in the European Union at the time these consolidated annual financial statements were formulated once they take effect, if applicable. Although the Group is currently analysing the impact of this move, based analyses conducted to date, the Group estimates that their initial application will have no material impact on its consolidated annual financial statements.

### **3. Accounting standards**

The principal accounting policies and evaluation standards adopted by the group, in accordance with which these consolidated annual financial statements have been formulated, were drawn up in accordance with the IFRS and are given here below:

#### **3.1 Cash and cash equivalents.**

Cash and cash equivalents Including cash, bank accounts and bank deposits and short-term, highly liquid investments which may be converted easily into cash, having an investment term of less than three months.

The Group's current accounts accrue interest at the market rate for this type of account. The book value of these assets is close to their fair value.

In general, the Group holds its cash and cash equivalents in banks with a high credit rating.

#### **3.2 Investment properties**

The investment properties include properties under construction and development for use as investment properties, investments are made partially or tally for the purpose of generating revenues, profits or both, instead of being used in the production or supply of good or services or for immediate sale in the ordinary course of business. They correspond to land, buildings and other constructions maintained for operation under a lease regime or for capital gains for their sale as a result of any increases of their respective market prices that may take place in the future.

The Directors of the Parent Company do not intend to dispose of these assets within the time frame, having decided to retain these assets as investment properties in the consolidated balance sheet.

Investment properties are initially measured at cost, including related transaction costs and financing costs, if any. After their initial measuring, investment properties are given at their fair value.

Investment properties are given at their fair value at the end of the reference period and are not depreciated as established in IAS 40.

Gains and losses arising from changes in the fair value of investment property must be included in net profit or loss for the period in which they arise.

While construction is in course, the cost of construction works and financial expenses are capitalised. When the asset is in condition to be put into operation, it is measured at its fair value.

Subsequent expenses are measured at their value in the asset's books only when it is probable that future economic benefits attributable to the expense will flow to the entity and the costs of the elements can be measured reliably. Other repairs and maintenance to the property are entered in the expenses for the year in which they are incurred. When part of an investment property is replaced, the book value of the replaced part is cancelled.

As stipulated in IAS 40, the Group periodically determines the fair value of investment properties in such a way that at the end of the year they reflect the actual market state of the investment property elements on said date. This fair value is determined annually on the basis of evaluations conducted by independent valuers.

The properties are located at several places around Spain, each being an individual cash-generating unit, having its own lease agreement, once obtained.

### **3.4 Recognition of income**

Income and expense are recorded on an accruals basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Lease revenues are evaluated at the fair value of the consideration received, less discounts and taxes.

When the Company acts as principal and is exposed to the risks associated with the transactions, the revenues are expressed in gross terms. When the Company acts as an agent and is exposed to the risks associated with the transactions, the revenues are given on a gross basis. Income is calculated at the fair value of the consideration less trade discounts, volume discounts and rebates.

#### *Recognition of ordinary income*

Lease revenues are evaluated at the fair value of the consideration received or to be received deriving from same. Rent discounts and concessions grace periods are recognised on the accounts, straight-lining the total amount of the concession or discount over the entire time the tenant's contract is in force. When a lease agreement ends before expected, any pending grace period or discount is entered in the final period before the end of the contract.

#### Leasing investment properties to third parties

The primary activity of the Group companies is the acquisition and lease of commercial centres and retail parks, though it may invest to a lesser extent in other assets for rent or direct sale (business premises, office buildings, logistics warehouses, logistics centres and residential products). The Group's ordinary revenues come from leasing these investment properties to third parties. The ordinary revenues deriving from leasing the investment properties are recognised by reference to the stage of completion of the transaction at the balance sheet date, when the result of the transaction may be measured reliably. The Group's lease revenues are recognised on a monthly basis in accordance with the conditions and amounts agreed in the respective lease agreements. These revenues are recognised only when they may be measured reliably and it is probable that the profits deriving from the lease will be received. In the case of revenue arising from the rendering of services which cannot be measured reliably, the revenues are recognised only to the extent of the expenses recognised that are recoverable.

The Group periodically evaluates whether any given service agreement is onerous, in which case it recognises the necessary provisions.

#### Result of disposal of investment properties

The results deriving from the disposal of investment properties is recorded on an accruals basis, i.e. when the actual flow of the goods included in the transaction occurs, regardless of when the resulting monetary or financial flow arises. The results are measured at the fair value of the consideration received, less sales costs, against the book value of the asset received. The recognition of sales income occurs when the significant risks and benefits inherent to the ownership of the property sold have been transferred to the buyer, and the day-to-day management or the effective control over such asset is no longer maintained.

#### Other revenues from sale of stocks

The recognition of sales income occurs when the significant risks and benefits inherent to the ownership of the asset sold have been transferred to the buyer, and the day-to-day management or the effective control over such asset is no longer maintained. For real-estate inventories this generally takes place upon signing the public deed of sale.

### **3.5 Provisions**

The provisions given in IAS 37 are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the



obligation, and when a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expected payments necessary to settle the obligation, using a pre-tax rate that reflects the current market value of money and the specific risks inherent in the obligation. Adjustments to update provisions are recognised as a financial expense as they are accrued.

Provisions settled within a year or less, whose financial effect is immaterial, and are not discounted. When it is expected that part of the payment necessary to settle the provision is to be made by a third party, the disbursement is recognised as an independent asset, provided its receipt is almost entirely guaranteed.

Services received under the concept of “Success Fees” have been carried based on the term of IFRS 2 “Share-based payments” as liabilities, at their fair value.

### **3.6 Corporate Income Tax**

#### **General Regime**

Income tax expense or income consist of both current and deferred expense or income.

Current tax is the amount of income taxes payable/(recoverable) as a result of the income tax settlements for a reporting period. Tax credits and other tax benefits, excluding tax withholdings and payments on account, and tax loss carryforwards effectively utilised in the current period reduce the current income tax expense.

Deferred tax expense or income correspond to the recognition and settlement of deferred tax assets and liabilities. These include the temporary differences, identified as the amounts expected to be payable or recoverable, between the carrying values of assets and liabilities and their tax bases, as well as tax loss carryforwards pending offsetting and unused tax credits. These amounts are recognised by applying to the temporary difference or tax credit the tax rate that is expected to apply when the asset is realised, or the liability is settled.

The Group recognises all deferred tax liabilities, except when the time difference derives from the initial recognition of the goodwill, the depreciation of which is not tax-deductible, or the initial recognition of other assets and liabilities in operations that do not affect either the tax base or the accounting profit.

Deferred tax assets identified with temporary differences are recognised only to the extent that the consolidated companies will in the future have sufficient taxable profits against which they can be offset and when they do not proceed from the initial recognition of other assets and liabilities in an operation that does not affect either the tax base or the accounting profit. The rest of deferred tax assets (tax loss carryforwards, temporary differences and deductions pending offsetting) are only recognised if it is considered likely that in future the consolidated companies will have sufficient tax profits against which to offset them.

At each balance sheet date the recognised deferred tax assets are reconsidered, making the appropriate corrections to these to the extent that doubts exist on their future recovery. Likewise, deferred tax assets not recognised on the consolidated balance sheet are also assessed at each reporting date, and are recognised if it is likely they will be recovered with future tax gains.

### **SOCIMI Scheme**

On 25 June 2020, applying retroactively as from the year commencing on its incorporation on 29 January 2020, the Company notified the Regional Office of the State Tax Administration Agency corresponding to its registered offices that its shareholders had agreed to adopt the special SOCIMI tax scheme.

The special SOCIMI tax scheme, after being amended by Act 16/2012 of 27 December, is based on a Corporate Income Tax rate of 0%, providing a series of requirements are met.

Nevertheless, the tax is accrued in proportion to the distribution of dividends. When a negative tax base is generated, the Corporate Income Tax Act 27/2014 of 27 November is not applicable. The tax deduction and bonus schemes established in Chapters II, III and IV of the legislation are also not applicable. For anything else not envisaged in the Law on Listed Real Estate Investment Companies, the provisions of the Spanish Corporate Income Tax Act will also be applicable.

As established in Article 9 of the SOCIMI Act, the entity is subject to a special rate of 19% on the total amount of dividends or profit sharing distributed to shareholders whose holding in the share capital of the entity is equal to or greater than 5%, providing that said dividends are exempt or taxed at a rate lower than 10% at their tax residences. This rate will be considered the Corporate Income Tax liability. In this regard, the Group has established a procedure by means of which it guarantees that its shareholders confirm the payment or withholding, when applicable, of 19% of the amount of the dividend paid to the shareholders who do not comply with the aforementioned said tax requirements.

Said SOCIMI Regime applies as from the year beginning on 29 January 2020, independently of whether the Company complies all the requirements for its application as, by virtue of Provisional Disposition One of Act 11/2009 on the SOCIMI Regime, the Company has a period of two years as from the time it adopts the regime to comply with same. The Company's Directors expect that the Company will comply with the requirements before the end of the two-year period.

The proposal for the application of the results of 2020 of the Parent Company, as formulated by the Board of Directors of the Parent Company and pending approval by the shareholders, is to apply the losses of the year towards the negative results of previous years. The Board of Directors estimates that the loss generated in the abridged individual accounts for the year will be offset by the profits generated in subsequent years. Moreover, the Company's subsidiaries have not paid dividends to the Company in the year from 29 January 2020 to 31 December 2020.

### **Other Taxes**

The Group's primary activity is leasing residential properties in mainland Spain and the Canary Islands, which activity is subject to VAT or the Canary Islands General Tax (IGIC). Nevertheless, as the Company also owns a series of premises, the subsidiary pays tax under the special pro-rata regime and, accordingly, any VAT or IGIC paid is partially recoverable.

The taxpayer in question may deduct 100% of the tax paid in operations which entitle them to a deduction; 0% in transactions which don't, and a percentage in operations having to do with the overall management of the business. Said deduction percentage is determined on the basis of the total volume of transactions, giving rise to the right to a deduction or not, divided by the total volume of transactions giving rise to the right to a deduction.

### **3.7 Consolidation Policies**

#### **(a) Consolidation principles applied**

The main consolidation and evaluation principles applied by the Group to formulate the consolidated annual financial statements were as follows:

1. The consolidated annual financial statements were formulated on the basis of the accounting records of Global Piélago, SOCIMI, and its subsidiary companies. Companies are considered to be subsidiaries of the Parent Company when the latter has effective control of same, as indicated in Point 6 below;
2. The income of the subsidiary companies for the period is included in the consolidated income statement as from the effective date of acquisition or incorporation;
3. All accounts payable and receivable and other transactions between consolidated companies have been eliminated in the consolidation process;
4. When necessary, the annual accounts of the subsidiaries are adjusted to ensure that the accounting standards used are homogeneous with those used by the Parent company of the Group;
5. The interests of minority shareholders are established in proportion to the fair values of recognised identifiable assets and liabilities. The interests of minority shareholders in:
  - a. The assets of the investees: these are listed under the heading "External Shareholders" in the consolidated balance sheet, under the heading "Net Assets";
  - b. The results for the period: these are given under the heading "Net income attributable to external shareholders" in the consolidated income statement;
6. The criteria followed to determine the consolidation method applicable to the Group company is Full Consolidation:
  - The full consolidation method is used to consolidate all subsidiaries, defined as companies over which the Group has control to direct financial and operating policies, generally along with an interest of more than half the voting rights. The effect of any potential voting rights that are currently exercisable or

convertible at year end are considered when assessing whether the Group exercises control over a company.

- The initial measurement of subsidiaries is performed using the purchase method. The acquisition cost is the fair value of the assets acquired, of the equity instruments issued and liabilities incurred or assumed on the date of exchange. The identifiable assets acquired and the identifiable liabilities and contingencies assumed in a business combination are evaluated initially at their fair value on the date of acquisition, independently of the scope of the minority interests. Any acquisition costs in excess of the fair value of the Group's interest in the identifiable acquired net assets is recognised as goodwill. If the acquisition cost is less than the fair value of the net assets of the acquired subsidiary, the difference is recognised directly in the consolidated income statement for the period.

At 31 December 2020 all subsidiaries had been consolidated by the full consolidation method.

**(b) Business combination**

The Group's business combinations are accounted for by use of the purchase method of accounting, requiring judgements and estimations in allocating fair values to the assets acquired and liabilities assumed in the transaction and in allocating the acquisition price to said fair values.

To integrate the businesses into the Group's financial statements, current accounting standards were applied, allocating the purchase price to the assets acquired and liabilities assumed on the basis of estimating their fair value on the date of acquisition.

In 2020, the Group acquired 100% of the stock capital of Global Sauco SOCIMI, S.L. for the sum of €3,600. As outlined in Note 1.1., the acquired company is based in Madrid and owns real estate in Spain.

As the 12-month term from acquisition has not yet finalised, the accounting for this business combination will be revised in the event that any of the circumstances defined in IFRS 3 "Business Combinations" should arise.

Within the period since the date of acquisition, the acquired assets generated €2,617,216 in operating income, giving a net result of €(105,989). The transaction expenses incurred during the period have been entered under the heading "Other operating expenses"

<b>Euros</b>	<b>Market value recognised at acquisition</b>	<b>Carrying amount of the acquired company</b>
Cash and cash equivalents	3,600	3,600
<b>Total Assets</b>	<b>3,600</b>	<b>3,600</b>

<b>Total Liabilities</b>	-	-
<b>Total net assets at market value</b>	<b>3,600</b>	
<b>Goodwill</b>	-	
<b>Purchase price</b>	<b>3,600</b>	

### (c) Subsidiaries

The subsidiaries are all those companies over which the Group holds control. The existence and effect of any potential voting rights that are currently exercisable are taken into account to assess whether the Group exercises control over a company. Subsidiaries are consolidated as of the date on which the control is transferred to the Group. They are excluded from the consolidation from the date on which it ends.

The purchase method of accounting is used to account for the Group's business combinations. The price paid for the acquisition of a subsidiary consists of the fair value of the assets transferred, the liabilities incurred by the previous owners of the concern and the shares issued by the Group. The transferred consideration includes the fair value of all assets and liabilities deriving from a contingent consideration agreement.

The acquired identifiable assets and the liabilities and contingencies assumed in a business combination are evaluated initially at their fair value on the date of acquisition. For each business combination, the Group may decide to recognise any interest not controlled in the acquired concern either at its fair value or in proportion to the non-controlling interest in the amounts recognised in relation to the interest in the identifiable net assets in the acquired concern.

The related costs are entered as expenses in the year in which they are incurred.

If the business combination is done in stages, it will be established at the fair value on the date of acquisition the interest as previously determined by the acquirer, and be re-evaluated at its fair value on the date of acquisition. Any gain or loss resulting from this second evaluation will be recognised in the profit or loss for the year.

Any contingent considerations to be transferred by the Group are recognised at their fair value on the date of acquisition. Subsequent changes to the fair value of the consideration classified as an asset or liability are recognised as established in IAS 39. Transactions between companies, balances and unrealised profits resulting from intragroup transactions between associates are eliminated. Unrealised losses are also eliminated if they have been adjusted and, if the amounts submitted by the subsidiaries must be adapted to the Group's accounting practices, the corresponding measures are applied.

(d) Changes in the ownership of subsidiaries with no change in control

Transactions involving non-dominant interests resulting in no loss of control are entered as asset transactions, in other words, as transactions with the owners in their capacity as such. The difference between the fair value paid for the consideration and the corresponding acquired proportion of the carrying value of the subsidiary's net assets are entered in the equity. Gains and losses resulting from the disposal of non-controlling interests are also recognised in the equity.

(e) Disposal of subsidiaries

When the Group relinquishes control, all interests held by the Group are adjusted to their fair value on the date on which control is relinquished, recognising the change in the recognised value in the consolidated income statement. Moreover, any amounts previously recognised in the other comprehensive income with regard to the investee in question are entered as is the Group had directly sold the related assets and liabilities.

### **3.8 Share capital**

Share capital consists of ordinary registered shares.

The cost of issuing new shares are entered directly into assets as a reduction in the issue premium.

In the event that the Company acquires treasury shares, the consideration paid includes all directly attributable incremental costs and is deducted from equity until the shares are cancelled. When these shares are sold or reissued, all amounts received are entered directly into equity.

### **3.9 Earnings per Share**

The basic earnings per share is calculated by dividing the balanced average number of ordinary shares in circulation during the year by the net profit for the year attributable to the Parent Company, not including the average number of shares in the Parent Company in the Group company portfolios.

### **3.10 Leases**

Leases are classified as finance leases whenever the terms of the lease substantially transfer the risks and rewards incidental to ownership of the leased asset to the lessee.

All other leases are classified as operating leases. At 31 December 2020, the Group did not hold any finance leases.

Operating lease

The income and expense deriving from operating lease contracts are charged to the income statement in the year in which they accrue.

Any collection that may be made when contracting an operating lease will be treated as an advance collection that will be allocated to profit/(loss) throughout

the lease period, as the profits of the leased asset are assigned or received on a straight-line basis.

### Evaluating the impact of IFRS 16 - Leases

IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of information for leases.

It introduced a single model for accounting for leases which requires that the assets and liabilities of all leases of over 12 months be accounted, in a manner similar to those previously classified as finance leases. In relation to the lessee's accounts, the accounting requirements in force prior to IAS 17 are substantially maintained.

In this regard, the Directors have estimated that there was no material impact on the consolidated annual accounts and, accordingly, no impact has been entered for the first application of said concept.

### Amendment to IFRS 16: COVID-19-related rent concessions

In April 2020 the IASB published an educational document clarifying the treatment of concessions/relief provided to lessees in relation to the exceptional situation arising as a result of the COVID-19 pandemic. As the IASB makes clear, these concessions/relief may be considered changes in the scope of a lease agreement and, therefore, amendments to contracts.

This new guidance concluded with regard to the accounting treatment to be given to the two possible situations in which a lessor may find themselves:

- Future concessions agreed for future periods: In this situation, the lessor will apply IFRS 16 and may straight-line future concessions agreed with the lessee.

The Group has recorded no impact for this situation at 31 December 2020.

- Concessions or relief for past rent: In this situation, the lessor may recognise a credit impairment, as established in IFRS 9, or conduct the same exercise as in the previous situation.

The Group has recorded no impact for this situation at 31 December 2020.

## **3.11 Financial assets**

### a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets unless they mature in more than 12 months after the date of the consolidated balance sheet, in which case they are classified as non-current. Loans and receivables are classified as "Loans to companies" and "Trade and other receivables" in the consolidated balance sheet.

These financial assets are initially recognised at fair value, including the transaction costs directly attributable to them, and subsequently at amortised cost, recognising the interest accrued in accordance with their effective interests

rate, understood as the update rate that equals the carrying value of the instrument with all its estimated cash flows until maturity.

Notwithstanding the foregoing, trade receivables maturing in less than a year are valued, both initially and subsequently, at nominal value, when the effect of not updating the cash flows is not significant.

At least at year-end, the necessary value adjustments due to value impairment are made, should there be objective evidence that not all amounts owed will be collected.

The amount of the loss due to impairment is the difference between the carrying amount of the asset and the updated value of future estimated cash flows, discounted at the interest rate at the time of its initial recognition. Value adjustments, and also reversals, if any, are recognised in the consolidated income statement.

### **3.12 Financial liabilities**

#### **a) Debits and payables**

This category includes trade payables and non-trade payables. These external resources are classified as current liabilities, unless the Company has the unconditional right to defer their settlement for at least 12 months after the date of the consolidated balance sheet.

These liabilities are initially recognised at fair value, adjusted for directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest method. Said effective interest is the update rate equalling the carrying amount of the instrument with the expected flow of payments until maturity.

Notwithstanding the foregoing, trade payables maturing in less than a year and without a contract rate of interest are valued, both initially and subsequently, at nominal value, when the effect of not updating the cash flows is not significant.

The Group derecognises financial liabilities when the obligations cease to exist.

When debt instruments are exchanged, provided that they have substantially different conditions, the original financial liability is derecognised and the new financial asset arising is recognised. Similarly, a substantial modification is recorded in the current conditions of a financial liability. The difference between the carrying amount of the financial liability, or the part thereof that has been derecognised, and the consideration paid, including attributable transactions costs, also including any assigned asset other than the cash or liability undertaken, is recognised in the consolidated income statement on the date it takes place.

When there is an exchange of debt instruments that do not have materially different conditions, the original financial liability is not retired from the consolidated balance sheet, and the amount of fees paid are entered as an adjustment in the carrying amount. The new amortised cost of the financial



liability is determined by applying the effective interest rate, which is the rate matching the carrying value of the financial liability on the date of modification with the cash flows payable in accordance with the new conditions.

Should there be any renegotiation of existing payables, no substantial amendments of the financial liability are considered to exist when the lender of the new loan is the same party granting the initial loan and the updated value of cash flows including net fees differs by less than 10% from the updated value of the cash flows pending payment of the original liability, calculated using the same method.

### **3.13 Related party transactions**

Transactions carried out between Group companies and related companies are generally measured initially at fair value. Where the agreed price differs from fair value, the difference is recognised based on the economic substance of the transaction. The transactions are subsequently measured as set out in the related measurement standards.

### **3.14 Equity items of an environmental nature**

Assets of an environmental nature are those which are used with lasting effect in the Group's activities and which have as their primary purpose to minimise environmental impact and protect and improve the environment, including by reducing or eliminating pollution in the future.

The Group's activity inherently has no significant environmental impact.

## **4. Estimations**

Formulating these consolidated annual financial statements requires the directors of the Parent Company to make judgements, estimations and assumptions which affect how accounting policies are applied and asset and liability and income and expenditure balances. The real results may differ from said estimations.

The directors revise their estimations on a constant basis. However, in view of their inherent uncertainty, there is a risk that significant adjustments may have to be made to the future in relation to the value of the affected assets and liabilities, as well as changes in the assumptions, facts and circumstances on which they are based.

To formulate these consolidated annual financial statements, the judgements made by the directors of the Parent Company in applying the accounting principles of the Group and the main areas of uncertainty in their estimations are the following:

#### Fair value of investment properties

The fair value is determined by independent external assessors, using evaluation techniques and assumptions, such as estimated future cash flows and estimated appropriate discount rate for said future cash flows, and also management assessments based on economic models.

Additionally, investment properties under development also require an estimation of construction costs. In this case, the fair value is determined on the basis of the most recent transactions involving properties of similar characteristics and locations as the property being assessed.

The evaluations made by the independent valuer up to 31 December 2020 were conducted under the circumstances arising as a result of the COVID-19 pandemic and are, accordingly, subject to “material uncertainty”, according to the RICS Global Valuations Standards. In this regard, a lower degree and a greater degree of caution should be given to the evaluation. Nevertheless, the evaluation made by the independent valuer includes an estimation of the potential impact of the situation on net earnings, expectations of growth, projected prices and discounts of each asset owned by the Company.

The best evidence of the fair value of investment properties on the market is their comparison with similar assets. When this information is not available, the valuer determines the fair value by applying a range of fair values. When making these judgements, the valuer uses a series of sources, including:

- i. Current prices in an active market with different types of properties, under different conditions and in different places, adjusting them to the differences with the Group's assets.
- ii. Recent prices of properties in other, less active markets, adjusting them to the changes in economic conditions since the date of the transaction.
- iii. Discounting cash flows based on estimations deriving from the terms and conditions of current rental agreements and, if possible, market price evidence for similar properties in the same place, using discount rates that reflect the uncertainty of the time factor.

#### Evaluation and assumption techniques applied to measure fair value

The fair value of financial assets and liabilities is determined as follows:

- The fair value of financial assets and liabilities with standard terms and conditions traded on active, liquid markets is determined in reference to market prices.
- The fair value of other financial assets and liabilities (not including derivatives) is determined using generally accepted evaluation models based on discounting cash flows, using observable transaction prices on the market and quotes for similar instruments.

Financial instruments evaluated subsequently to their initial recognition at fair value are classified into levels 1 to 3, based on the degree to which the fair value is observed.

- Level 1: referenced to quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: referenced to other observable inputs (other than the quoted prices included in Level 1) for the asset or liability, whether directly (prices) or indirectly (deriving from prices).

- Level 3: referenced to valuation techniques including inputs for the asset or liability not based on observable market data (non-observable inputs).

There are no transactions in levels 1, 2 or 3.

Note 6 also give detailed information on calculating the fair value of investment properties which, according to Level 2, amounts to €49,173,300, not including advances on investment properties.

### Corporate Income Tax

The Parent Company is covered by the tax regime established in Act 11/2009 of 26 October on Listed Real Estate Investment Companies (SOCIMI), which, providing they comply with a series of requirements, pay tax at a rate of 0%.

The Directors of the Parent Company monitor compliance with the applicable legal requirements to ensure that the company is entitled to the tax gains established by law.

In this regard, the Directors of the Parent Company consider that said requirements will be fulfilled within the established deadlines and, accordingly, have recognised no expenditure in relation to corporate income tax.

## **5. Managing Financial Risk and Financial Instruments.**

### **5.1 Financial risk factors**

The Group's activities are exposed to a series of financial risks. The Group's global risk management programme focuses on uncertainty in the financial markets and aims to minimise potential effects on its return on equity.

Risk management is handled by the management company Briks Residential, S.L.U.

#### **5.1.1 Market risk**

Due to the current situation of the real estate sector, and with the aim of mitigating its potential negative impacts, the Group has specific measures in place to reduce their impact on its balance sheet.

These measures are applied depending on the results of the regular sensitivity tests carried out by the Group and on the basis of the strategy defined in the business plans.

### Information relating to the SARS-CoV-2 (COVID-19) pandemic

On 11 March 2020 the World Health Organisation raised the public health emergency caused by the SARS-CoV-2 virus (commonly known as the coronavirus or COVID-19) to international pandemic status. COVID-19 spread rapidly around the world and is still active. The evolving situation has resulted in an unprecedented worldwide healthcare, social and economic crisis.

The Group's directors have analysed the financial situation to determine short-term financial and liquidity needs. The main findings of their analysis are:

- Liquidity risk: the foreseeable consequence of the general situation of the markets will be increased liquidity pressures and a shrinking credit market. In this regard, the Group has the external funding described in Note 12 in place. They are also monitoring cash availability and needs by means of a monthly cash budget. In this regard, the Directors of the Parent Company, based on the cash budget formulated to withstand the economic and social impact of COVID-19, affirm that the Group has the sufficient financial capacity to fulfil its short-term obligations.
- Asset/liability evaluation risk: changes in the future estimations of rental income, financial costs, recovery of trade receivables, etc. may have a negative impact on the carrying amount of certain assets (investment properties, non-current assets, tax credits, etc.), as well as on the need to account for certain provisions or other types of liabilities.
- Continuity risk: the directors consider that the ongoing concern principle remains valid.

Having considered the above aspects and evaluated the situation, the directors consider that, at the time of formulating these consolidated annual financial statements, there are no impairments to the current and non-current assets included in the consolidated balance sheet that have not been included at 31 December 2020, although, depending on the evolving situation, certain events may take place that would be adjusted in the coming year.

### **5.1.2 Liquidity risk**

The liquidity risk is defined as the risk of the Group not fulfilling its obligations in relation to settled financial liabilities or other financial assets.

The Group implements a prudent liquidity risk management policy, having the sufficient liquidity to fulfil all due obligations, not just in normal market conditions, but also in times of uncertainty, without incurring unreasonable losses or endangering the reputation of the Group. At 31 December 2020, the Group had loans and borrowings with credit institutions.

### **5.1.3 Currency risk**

The Group is exposed to no risk with regard to possible exchange rate fluctuations, as it conducts all transactions in euros, its functional and accounting currency.

### **5.1.4 Credit risk**

The Group has cash and deposits in Spanish banks, being thus exposed to the stability and insolvency risks of same.

Another credit risk lies in the possible insolvency of tenants. Accordingly, the Group selects tenants with the highest possible credit rating. However, business units are occasionally acquired with tenants in place who, this being the case,

could not be assessed by the Group. The Group attempts to attenuate the risk of non-payment by having tenants pay advances.

#### **5.1.5. Tax Risk**

As mentioned in Note 1, the Parent Company is covered by the special tax scheme for listed real estate investment companies (SOCIMI). Article 6 of the SOCIMI Act 11/2009, as amended by Act 16/2012, establishes that dividends must be paid out to shareholders, providing certain trade obligations are fulfilled. Dividend payouts must be approved within six months of the end of the tax year, and paid within one month from their approval.

If the General Shareholders' Meeting of a SOCIMI does not approve the dividend share-out proposed by the Board of Directors, calculated in accordance with the requirements of the law, they may be infringing the law and, therefore, would be taxed in accordance with the general tax scheme rather than the one that applies to SOCIMI.

### **6. Investment properties**

Investment properties include: apartments, lofts, storage rooms, parking spaces and business premises owned by the Group for long-term leases, and not occupied by Group affiliates.

The following are the movements occurring under this heading throughout the year in course:

	In Euros
	Investment properties
<b>Balance at 29/01/2020</b>	-
Acquisitions	31,720,422
Disposals	-140,740
Capex	1,157,322
In course	6,786
Impairment	-1,733,945
Investment property evaluation result	18,163,456
<b>Balance at 31/12/2020</b>	<b>49,173,300</b>

At 31 December 2020, the subsidiary had 587 properties on its books.

From the time the Parent Company was incorporated up to 31 December 2020, the Group had performed the following transactions:

#### **Acquisition of Properties:**

- On 7 April 2020, the subsidiary entered into a private sale-purchase agreement (the “Alcázar I” Agreement) with two non-group companies, regulating the terms and conditions for the purchase of a property portfolio buy the former from the latter. Said private sale-purchase agreement was renewed on 25 May 2020 and 26 June 2020.
- On 2 October 2020, the subsidiary entered into a private sale-purchase agreement (the “Alcázar II” Agreement) with three non-group companies, regulating the terms and conditions for the purchase of a property portfolio by the former from the latter.

Under the Alcázar I Agreement, the subsidiary acquired properties on the following date and for the following amounts:

- On 26 June 2020, in deeds delivered before Madrid Notary Public Mr Antonio Morenés Giles, the Group acquired 373 properties. The acquisition cost of said properties was €19,757,636 (plus transaction fees and certain improvements amounting to €942,151).
- On 30 July 2020, in deeds delivered before Madrid Notary Public Mr Antonio Morenés Giles, the Group acquired 32 properties. The acquisition cost of said properties was €1,825,723 (plus transaction fees and certain improvements amounting to €36,570).
- On 30 September 2020, in deeds of sale delivered before Madrid Notary Public Mr Antonio Morenés Giles, the Group acquired 32 properties. The

acquisition cost of said properties was €1,653,862 (plus transaction fees and certain improvements amounting to €6,898).

- On 30 December 2020, in deeds of sale delivered before Madrid Notary Public Mr Antonio Morenés Giles, the Group acquired 6 properties. The acquisition cost of said properties was €426,081.

Additionally, under the Alcázar II Agreement, the subsidiary acquired properties on the following date and for the following amounts:

- On 30 October 2020, in deeds of sale delivered before Madrid Notary Public Mr Antonio Morenés Giles, the Group acquired 45 properties. The acquisition cost of said properties was €2,127,530 (plus transaction fees and certain improvements amounting to €171,703).
- On 30 December 2020, in deeds of sale delivered before Madrid Notary Public Mr Antonio Morenés Giles, the Group acquired 107 properties. The acquisition cost of said properties was €5,929,589.

The details of the properties listed under this heading, in compliance with Article 11 of the SOCIMI Act, is included in Annex I to these consolidated annual financial statements.

#### Evaluation procedure

At 31 December 2020, the investment properties were recognised at their fair value, this being understood as their market value. The market value of the Group's investment properties at 31 December 2020, less advances on investment properties, as calculated by independent valuers, amounted to €49,173,300.

The results recognised in the consolidated income statement as a result in the variation in the fair value of the investment properties amounts to €18,163,456. As indicated in IFRS 13, in certain cases, the transaction price may not reflect the fair value of the asset at initial recognition. The Group's investment properties have been valued by an independent, expert valuation firm, as per the standards of the Royal Institute of Chartered Surveyors (RICS).

The approach used to calculate the market value of the investment properties is the sales comparison method, based on comparing the asset with others, whose value is known. The greater the similarity between them with regard to construction type, location, etc., the more reliable the result.

The primary variables that influence and affect the market, such as relative weighting, must be determined. This may be done directly or by using regression analysis. The commonly used factors are: location, build quality, build age, build status and condition, surface area and fitness for purpose.

Similar operations may include sales and lease arrangements in the area, the supply of land and buildings and the opinions of other valuers or agents. As a result, the value is determined by identifying comparable transactions for the sale and closure of operations, which are comparable in terms of location, as well as condition and functionality.

The first step towards obtaining a reliable comparison is to standardise the (comparable) unit market prices obtained, based on a series of values including

surface area, location, asset quality/specifications, etc.; the second is the weighting of these values based on the degree of similarity between the assets being compared. These are the main factors or variables used to determine variations in the specific market, such as the correct weighting.

#### Advances on investment properties

In addition to the items included under the heading "Investment properties", the Group includes advances amounting to €173,647 for the acquisition of properties pending acquisition based on the Alcázar I and Alcázar II agreements mentioned above. The respective advances on said properties (before management and improvement costs) amount to €9,013 and €164,634.

These advances are amounts paid as earnest money, making the offers irrevocable and obliging the Company to acquire the properties in question. This notwithstanding, the final implementation of the contract is subject to a series of conditions precedent contingent on the legal, property and tax reviews being satisfactory after reviewing the corresponding legal documents.

Any unjustified failure by the Group to go through with the sale contracts within the specified time, will entitle the sellers to terminate the contract and retain the advances.

#### **Disposal of Properties:**

Throughout the year, the Company disposed of certain investment properties acquired in the year on the following dates:

- On 7 September 2020, in a deed of sale delivered before Madrid Notary Public Mr Javier de Lucas y Cadenas, the Group disposed of five properties. The sale price of said properties was €79,057.
- On 7 September 2020, in a deed of sale delivered before Madrid Notary Public Mr Antonio Morenés Giles, the Group disposed of one property. The sale cost of said property was €15,811.
- On 7 September 2020, in a deed of sale delivered before Madrid Notary Public Mr Antonio Morenés Giles, the Group disposed of two properties. The Sales cost of said properties was €135,311.

The total profits resulting from the sale of investment properties in 2020 amounted to €77,298.

#### Income derived from investment properties

The Group has operative lease agreements in force over properties. At 31 December 2020, the Company recognises incomes of €235,501 under this concept.

#### Operating leases

The revenue recognised in the year by the group has its origin in rental revenues deriving from lease agreements, as stated above.



The total amount of minimum future receivables for non-cancelled operative leases is as follows:

Expiry of Leases	EUROS
Under 1 year	22,701
From 1 to 2 years	1,882
From 2 to 3 years	1,942
Over 3 years	630
<b>TOTAL</b>	<b>27,155</b>

### Insurance

The Group's policy is to cover all possible risks which may affect its investment properties by taking out insurance policies having coverage considered sufficient by the directors of the Parent Company.

## **7. Other financial assets**

By virtue of the Subsidiary's operative lease agreements, at 31 December 2020 the Group recognises the sum of €24,146 as advances deposited with official bodies.

Under this heading, the subsidiary recognises certain advances paid to third-party service providers, amounting to €841.

## **8. Inventories**

### **Supplier advances**

#### Acquisition of financial rights

On 7 April 2020, the subsidiary entered into a private sale-purchase agreement with a non-group company (included under the Alcázar I agreement), by virtue of which it was agreed that the subsidiary would acquire the financial rights deriving from a portfolio of properties being sold by the seller.

Under said agreement, on 26 June 2020 the subsidiary paid the other party the sum of €5,917,386.

The remaining amount corresponding to each asset is offset as sales are made. 25% of the initial price of unsold assets will be paid in 2022, as the company will acquire any properties not sold by that date as investment properties.

Additionally, as the seller transfers the properties included in the portfolio to third parties outside the Group, the subsidiary recognises the cancellation of said financial rights over the properties sold and the corresponding profit in the income statement.

Throughout the year, 32 sales of said properties took place, resulting in revenues of €2,108,980 for the company.

Consequently, at 31 December 2020, the amount recognised by the Group as supplier advances paid to third parties for this concept amounted to €3,381,526.

#### Other supplier advances

At 31 December 2020, the Group recognised the sum of €272,948 in payments made prior to receipt of invoices (not including the advances paid as stated in Point 6, amounting to €173,647, and for the acquisition of financial rights, as stated above).

### **9. Trade and other receivables**

Under trade receivables, the Group recognises the sum of €1,305,267 as rents owed by clients, less certain advances received by tenants, and owned from the settlement of the sales of financial rights to the third party by whom they are sold.

The Group recognises current liabilities of €4,924 as trade advances.

In turn, the Group recognises the sum of €127,294 as other receivables, this being the amount to be received by the subsidiary from the sale of the credit rights in December 2020.

### **10. Cash and cash equivalents**

This heading includes cash and cash equivalents of the Group in cash, banks and short-term deposits maturing in three months or earlier. The carrying amount of these assets is equivalent to their fair value.

At 31 December 2020, the balance of the heading “Cash and cash equivalents” amounted to 8,287,263 euros, which are fully available.

### **11. Equity and shareholders' equity**

#### Share capital and issue premium

At 31 December 2020 the share capital of the Parent Company amounted to €5,000,000, represented by 5,000,000 shares, each with a par value of €1. All shares are the same class and fully subscribed and paid up.

Heimdall Luxembourg Holdings II S.à r.l. owns 4,925,000 of said shares, numbers 1 to 59,100, both inclusive, and 60,001 to 4,925,900, both inclusive, accounting for 98.5% of the stock capital, with an issue premium of €7,488,052.

Welcomechance, S.L.U. owns 75,000 of said shares, numbers 59,101 to 60,000, both inclusive, and 4,925,901 to 5,000,000, both inclusive, accounting for 1.5% of the stock capital, with an issue premium of €114,031.

### Legal reserve and other reserves

The Spanish Companies Act requires that the limited company transfers 10% of profits for the period to a legal reserve until this reserve reaches an amount equal to at least 20% of share capital. This legal reserve can be used to increase capital in the part exceeding 10% of capital after the increase. Apart from the purpose mentioned above, the legal reserve may only be used to offset losses, providing it does not exceed 20% of the capital and taking into account the limits in place under the SOCIMI regime, provided no other sufficient reserves are available for the purpose.

Under Act 11/2009, regulating listed real estate investment companies (SOCIMI), the legal reserves of companies subject to the special tax scheme established therein may not exceed 20% of their stock capital. The bylaws of these companies may not establish any restricted reserve other than the foregoing one.

At 31 December 2020, the Company's legal reserve was not constituted.

### Shareholder contributions

At 31 December 2020, this item amounted to €8,339,746, €8,214,650 of which corresponded to the majority shareholder, Heimdall Luxembourg Holdings II S.á r.l., and €125,096 to the minority shareholder, Welcomechance, S.L.U.

To attain this sum, on 27 March 2020, the Company approved new contributions from its shareholders from that time, on 27 March receiving €2,353,478 and €35,840.

On 14 October 2020, the Company subsequently approved new contributions from its shareholders from that time, on 15 October 2020 receiving €89,256 from the minority shareholder Welcomechance, S.L.U. And on 16 October 2020 €5,861,172 from the majority shareholder.

### Shareholder structure

At 31 December 2020, the direct shareholders of the Parent Company are:

- Heimdall Luxembourg Holdings II S.á r.l., majority shareholder, holding 98.5% of the capital.
- Welcomechance, S.L.U., minority shareholder, holding 1.5% of the capital.

### Earnings per Share

The details to be taken into account to calculate earnings/(losses) per share are:

Net profit for the period attributable to the shareholders	<b>16,122,961</b>
Total number of shares in circulation	<b>5,000,000</b>
<b>Earnings per share (Euro)</b>	<b>3.22</b>

### Appropriation of profit/(loss)

The proposed distribution of the profits(losses) of the Parent Company to be put to the General Shareholders Meeting is as follows:

APPROPRIATION OF PROFIT/(LOSS)	EUROS
	2020
<b>Basis of allocation</b>	
Profit/(Loss) in Income Statement	(296,527)
<b>TOTAL</b>	<b>(296,527)</b>
<b>Appropriation</b>	
Prior years' losses	(296,527)
<b>TOTAL</b>	<b>(296,527)</b>

This distribution is expected to be approved by the General Shareholders Meeting in early 2021.

#### Dividend distribution policy

Dividends will be paid in cash when available, and recognised as a liability in the consolidated annual financial statements in the period in which they are approved by the shareholders of the Parent Company or the subsidiary.

After fulfilling the corresponding commercial obligations, SOCIMIs must distribute the profit obtained in the year to its shareholders, in the form of dividends, and should resolve on this distribution within six months of the end of each year as follows:

- a) One hundred percent of the profits from dividends or profit sharing distributed by the companies to which art. 2.1 of this Law refers.
- b) At least 50 percent of the profits from the transfer of real estate and public or private limited liability company shares referenced in art. 2.1 of this Law, performed following the end of the periods to which art. 3.3 of this Law refers, subject to the fulfilment of its main corporate purpose. The remaining profits should be reinvested in other real estate or shares subject to the fulfilment of that purpose, within three years as of the transfer date. Otherwise, these profits should be distributed in their entirety and together with any profits, as appropriate, from the year in which the reinvestment period finalises. If the elements for reinvestment are transferred prior to the maintenance period, any profits should be distributed in their entirety together with any profits, as appropriate, from the year in which they were transferred. The distribution obligation does not cover, where appropriate, that part of the profits attributable to years in which the company was not taxed by the special tax scheme established in this Law.
- c) At least 80 percent of the rest of the profits obtained.

When the distribution of dividends is made against reserves from profits of a year in which the special tax scheme was not applied, their distribution must be adopted in terms of the resolution referenced in the preceding paragraph.

The legal reserve of companies subject to the special tax scheme established in the Law may not exceed 20% of their capital. The bylaws of these companies

may not establish any restricted reserve other than the foregoing one.

No dividends were paid out during 2020.

## **12. Financial liabilities**

### **12.1 Non-current payables**

#### Loans and borrowings:

On 29 December 2020, the subsidiary put on public deed a mortgage agreement over certain investment properties held by the Company, for which it received the sum of €9,300,088.

The group paid fees of €1,330,412 to formalise said loan, having recognised the sum of €3,003 in the income statement in 2020.

At the end of 2020, there were no significant differences between the fair value and the carrying value of the loans and borrowings.

The essential terms of the financing arrangement are described below:

- The principal of the borrowing shall be returned in full on its expiry date, established as 23 December 2023.
- The subsidiary shall pay the interests on the borrowing in quarterly instalments, in January, April, July and October, until the expiry date.
- The interest rate applied shall be the EURIBOR rate plus a fixed market rate.
- The subsidiary undertakes to fulfil a series of financial ratios as from 2021, specifically that the Loan to Value may not exceed 65% in the first three years of the borrowing (commencing at end of 2020), reducing to 60% in the fourth and fifth years, if the expiry date is extended. From 2022 onward, it must ensure that the Debit Yield ratio does not fall below 6.25% in 2022 and 2023, or 6.5% in 2024 and 6.75 in 2025, if the expiry date is extended.

Based on said borrowing, at 31 December 2020, the Group recognises the sum of €7,972,679 as principal pending repayment and €4,263 as accrued, unpaid interest.

#### Other non-current payables and other financial liabilities

##### a) *Other financial liabilities:*

By virtue of the Subsidiary's operative lease agreements, at 31 December 2020 the Group recognises the sum of €45,310 in advances and deposits received from tenants.

##### b) *Non-current fixed assets payable:*

The subsidiary recognises the sum of €5,588,907 in non-current fixed assets

payable, as the conditions of the contracts of sale stipulate that 25% of the initial acquisition price for the investment properties be paid in June 2022.

## **12.2 Payables to Group companies:**

At the end of 2020, the group recognises the sum of €10,940,830 in payables to group companies, as follows:

### Heimdall Luxembourg Holdings II S.à r.l.

On 25 June 2020, the Group received loans to cover its property acquisitions from its majority shareholder, then trading as Heimdall Luxembourg Holdings S.à r.l. (the lender at the end of the year being the new shareholder, Heimdall Luxembourg Holdings II S.à r.l.).

The initial principal received was €8,669,928, this being added to by a further €1,920,328 by means of a transfer received on 16 October 2020.

The expiry date stipulated for both sums is 25 June 2025, with an interest rate being established on a 360-day base.

Throughout 2020, no repayments of principal or interest were made. Accordingly, at 31 December 2020, the accrued and unpaid interest was capitalised, being added to the principal as stipulated in Point 3.4 of the loan agreements.

Accordingly, at 31 December 2020, the total principal of the borrowings amounts to €10,777,251, with accrued unpaid interest, entered on the income statement, of €186,995.

### Welcomechance, S.L.U.

On 25 June 2020, the Group received loans to cover its property acquisitions from its minority shareholder, Welcomechance, S.L.U.

The initial principal received was €132,029. This was added to by a further borrowing of €29,243 by means of a transfer received on 16 October 2020.

The stipulated maturity date for both borrowings is 25 June 2025, moreover, a fixed annual interest rate of has been established on the basis of a 360-day year.

Throughout 2020, no repayments of principal or interest were made. Accordingly, at 31 December 2020, the accrued and unpaid interest was capitalised, being added to the principal as stipulated in Point 3.4 of the loan agreements. Additionally, the sum of €541 was withheld to pay the Tax Administration Agency.

Accordingly, at 31 December 2020, the total principal amounts €163,579, with accrued unpaid interest, entered on the income statement, of €2,847.

### **13. Trade payables**

The carrying amount of the trade payables is equivalent to their fair value.

At 31 December 2020, the Company owed €1,113,646.

Trade payables includes commercial creditors of debts for goods or services supplied, included in the "Miscellaneous Creditors" items of the current liabilities.

#### Information on deferral of payment to suppliers.

In accordance with the ICAC Resolution of 29 January 2016, regarding information to be included in the notes to the annual financial statements in relation to the average payment period to suppliers in trade operations, supplies the following information:

	2020
	Days
Average supplier payment period	67.48
Ratio of transactions paid	73.49
Ratio of outstanding payment transactions	32.78
	Amount (Euros)
Total payments made	1,698,453.85
Total payments outstanding	294,237.10

### **14. Public Entities and tax position**

The structure of current balances with public entities at 31 December 2020 is as follows:



In euros	In Euros	
	Accounts receivable	Accounts payable
<i>Balances with the Tax Authorities</i>		
Withholdings from professionals (Personal Income Tax)	-	14,444
Withholdings on interest (Corporate Income Tax)	36,070	36,611
VAT	4,102	-
Canary Islands General Tax (IGIC)	-	-
	<b>40,172</b>	<b>51,055</b>

The Group has a credit of €4,102 with the Public Entities in VAT deductions.

At the same time, the Group has a total debt of €51,055 with the Public Entities. This is due to withholdings made to professionals totalling €14,444 and withholdings made in relation to intragroup loans. In this regard, the subsidiary withholds the sum of €36,070 from the parent company as interest accrued on the intragroup loan, and the parent company withholds the sum of €541 from the minority shareholder as interest accrued on the intragroup loan.

### **Corporate Income Tax calculation**

The conciliation between the consolidated result and the sum of the taxable bases of the Group companies for the year 29 January 2020 to 31 December 2020 is given below:

	EUROS
	2020
<b>Accounting profit/(loss) before taxes</b>	<b>16,122,961</b>
Corrections to the result	16,429,331
Offsetting of tax loss carryforwards	-
<b>Taxable income (tax profit/(loss))</b>	<b>(306,370)</b>
Tax at 0%	-
<b>Withholdings</b>	<b>(36,070)</b>

The taxable base given in the table is the sum of the taxable bases of the Group's companies, after adjusting the consolidated profit/(Loss) for the year by consolidation adjustments and eliminations.

Under the SOCIMI Act, the current corporate income tax is the result of applying a rate of 0% to the taxable base.

Additionally, in accordance with Article 9 of Act 11/2009 of 26 October on Listed Real Estate Investment Companies, Article 26 of the revised Corporate Income Tax Act does not apply to negative tax bases and, accordingly, they are not accumulated to offset future years.

The Group has a credit with the Public Entities for withholdings made by the investee in relation to capitalised interests on the loan. This credit amounts to €36,070 and its repayment will be requested in the 2020 Corporate Income Tax statement.

Years open to inspection and tax audits:

As established by legislation in force, taxes cannot be deemed as definitively settled until the tax returns filed have been audited by tax authorities or until the 4-year statute of limitations has concluded. At 2020 year-end, the Group companies' tax returns for all the years since its incorporation were open for review by the tax authorities.

The Directors of the Parent Company deem that the settlements of the aforementioned taxes have been appropriately undertaken whereby, even if discrepancies arise over the existing regulatory interpretation of the tax treatment given to the transactions, any possible resulting liabilities, should they materialise, would not have a significant impact on these consolidated annual financial statements.

## **15. Income and expense**

### **a) Gains in the fair value of investment properties:**

The breakdown of the fair value of the investment properties is given in Note 6.

### **b) Income from investment properties**

The breakdown of the income from the subsidiary's investment properties is given below.

INCOME FROM LEASES AND SALES	EUROS
	2020
Lease income	196,658
Lease rent settlements	38,843
Sale of financial rights	2,108,980
Income from disposal of investment properties	77,298
Sales of other credit rights	195,437
<b>TOTAL</b>	<b>2,617,216</b>

Notwithstanding the foregoing, the Group considers the Net Turnover to include only the incomes deriving from its lease activities, this being the group's primary activity. Accordingly, the Net Turnover for the year 2020 is €235,501.

### c) Supplies

The group recognises the sum of €1,419,210 from the acquisitions of financial rights which it has cancelled as they were transmitted throughout 2020.

### d) Operating expense

The breakdown of this item of the consolidated income statement is as follows:

OPERATING EXPENSE	EUROS
	2020
Independent professional services	529,739
Asset management services (*)	488,196
Property management services	84,219
Insurance premiums	45,404
Banking services	25,197
Other miscellaneous expense	8,994
Property expenses	114,096
Taxes	8,150
<b>TOTAL</b>	<b>1,303,995</b>

(\*) Arising from the management agreement explained in Note 1.2 here, the group has paid €488,196 in asset management services to 31 December 2020.

### e) Finance expense

The finance expenses are the result of loans received from group companies and the bank and of difference in exchange rates, as indicated in point 12.

At 31 December 2020, total finance expenses amounted to €200,381, broken down into €189,842 in loans received from group companies, €7,266 in finance expenses relating to the mortgage loan, and €3,273 euros due to negative exchange rate differences.

#### **f) Audit fees**

The fees for the auditing and review services provided by Ernst & Young in 2020 amount to €99,800.

Throughout the year ending on 31 December 2020, in addition to audit fees, a further €59,620 were paid for services provided by other companies in the E&Y group.

#### **g) Shareout of Consolidated Result**

The financial statements for the period from 29 January 2020 to 31 December 2020 for the companies included in the scope of consolidation are as follows:

Companies	In euros
<b>Full Consolidation</b>	<b>2020</b>
Global Piélago, SOCIMI, S.A.	(296,527)
Global Sauco, SOCIMI, S.L.(*)	16,419,488
<b>Total</b>	<b>16,122,961</b>

\*Not audited

### **16. Other information**

#### Environmental information

In view of the business activities carried out by the Group, companies, they do not have any environmental liability, expense, assets, provisions or contingencies that might be material with respect to their equity, financial position or results.

Therefore, no specific disclosures relating to environmental issues are included in these consolidated annual financial statements.

#### Staff costs

At 31 December 2020, the group companies have no employees.

### **17. Related party transactions and balances**

On the other hand, at 31 December 2020, the heading “Non-current payables to Group companies” recognises loans granted to the Company by Heimdall Luxembourg Holdings II S.à r.l. and Welcomechance, S.L.U., accruing interest at a fixed annual rate and expiring on 25 June 2025.

At 31 December 2020, these loans had accrued interest of €186,995 and €2,847, respectively, which have been recognised in the income statement for the year.

The Directors of the Parent Company consider that the operations with affiliate companies have been conducted under market conditions and on the basis of agreements between the parties.

The prices of related-party transactions are properly supported, so the Company Directors consider there are no risks that might cause material tax liabilities.

## **18. Provisions and contingencies**

At 31 December 2020, the Group had received no claims or complaints, and accordingly no contingencies or provisions were set aside.

## **19. Information concerning conflicts of interest on the part of the Directors**

### Shareholdings, posts and activities of members of the Board of Directors

Article 229 of Spanish Companies Act obliges company directors to notify the company’s governing bodies of any direct or indirect conflicts of interests potentially affecting the interests of the Group companies.

Likewise, the directors are required to notify any direct or indirect interests held by themselves or related persons in any company having a corporate purpose that is similar, analogous or complementary to that of the Company, as well as notifying any positions or functions they may hold in same.

In this regard, in order to comply with the obligations established in the Spanish Companies Act and particularly with the established for directors, certain members of the Board have reported that they may possibly incur in conflict of interest as they directly or indirectly hold an interest in the Management Company or in companies having a corporate purpose that is analogous or complementary to that of the Group companies.

Notwithstanding the foregoing, during the period in which the directors of the Parent Company held their positions on the Board of Directors, no resolutions were passed which could have involved a conflict with the interest of the Company and, accordingly, none was obliged to abstain from voting in order to comply with applicable legislation.

### Remuneration to Directors and Senior Management.

In 2020, the Directors of the Company received and accrued no amounts as salaries, remuneration or expenses as directors. Neither did they receive shares

or stock options in those years, and they did not exercise any options and did not have any options pending exercise.

Likewise, no contributions were made to funds or pension schemes on behalf of the Company's Board of Directors.

Throughout 2020, upper management functions were performed by several members of the Board of Directors.

**20. Information Deriving From SOCIMI Status. Law 11/2009**

Description	Year 2020
a) Reserves from financial years prior to the application of the tax scheme established in Law on Listed Real Estate Investment Companies	N/A
b) Reserves from years in which the tax regime established for SOCIMIs is first applied, differentiating the part resulting from revenues subject to the 0% interest rate or the 19% rate from those subject to the general rate	N/A
c) Dividends distributed against the profits for each year in which the tax regime established for SOCIMIs is applicable, differentiating the part resulting from revenues subject to the 0% interest rate or the 19% rate from those subject to the general rate	N/A
d) In the case of dividends distributed against reserved, stipulating the year from which the reserve used was constituted and whether it has been taxed at the 0% rate, the 19% rate or the general rate	N/A
e) Date of the resolution for distribution of the dividends to which letters c) and d) above refer	N/A
f) Date of acquisition of the shares in the capital of the enterprises to which art. 2.1 of this Law refers	See Note 6 and Annex 1
g) Identification of the asset that is calculated within the 80% referenced in art. 3.1 of Law on Listed Real Estate Investment Companies	See Note 6 and Annex 1
h) Reserves from financial years in which the special tax regime for SOCIMIs applied, utilised during the tax period for purposes other than their distribution or to offset losses, identifying the year in which it was constituted	N/A

## **21. Subsequent events**

On February 23, 2021, all the Parent Company's debt with the group companies Heimdall Luxembourg Holdings II S.à r.l. and Welcomechance, S.L.U. explained in note 12.2 were repaid in full.

In the judgement of the Company Directors, no other issues which could have had a material effect on these consolidated annual financial statements have been revealed subsequent to 31 December 2020.



## **Global Piélago, SOCIMI, S.A. and subsidiaries**

### **Consolidated directors' report for the period from 29 January 2020 to 31 December 2020**

This Consolidated Directors Report for 2020 is filed by the directors of the Parent Company, in compliance with Articles 253 and 262 of the Spanish Companies Act, as amended, for approval by the shareholders.

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

Global Piélago, SOCIMI, S.A., hereinafter the Parent Company, is a Spanish public limited company, with VAT No. A88581251, incorporated for an indefinite period under a deed delivered before a Madrid notary public on 29 January 2020; it is entered on the Madrid Register of Companies, volume 40,174, page 110, sheet M-713884, entry No. 1. It has registered offices at Paseo de la Castellana, 93, 13th floor, 28046 Madrid.

The Parent Company was initially incorporated as a limited liability company under said public deed delivered on 29 January 2020. It was converted into a public liability company under public deed of 5 March 2020, in Madrid.

On 5 March 2020, in Madrid, the Parent Company acquired 100% of the stock capital of Global Sauco, SOCIMI, S.L. (Hereinafter, the "subsidiary").

Global Sauco, SOCIMI, S.L. is a Spanish limited liability company, with VAT No. B88581236, incorporated for an indefinite period under a deed delivered before a Madrid notary public on 29 January 2020; it is entered on the Madrid Register of Companies, volume 40,174, page 130, sheet M-713886, entry No. 1. It has registered offices at Paseo de la Castellana, 93, 13th floor, 28046 Madrid.

The corporate purpose of both group companies is that of SOCIMIs (outlined below), both being covered by said regime. On 25 June 2020, a resolution of the General shareholders' Meetings, resolving that the Companies would opt for the special regime for listed real estate investment trusts (SOCIMI, in Spanish), regulated by Act 11/2009 of 26 October, was put on public deed.

The corporate purpose is:

- a) The acquisition and development of urban real estate for lease.
- b) The holding of shares in the capital of other SOCIMI or in other companies non resident in Spain with the same corporate purpose and which are subject to a regime similar to the one established for SOCIMIs in relation to the obligatory policy on appropriation of profit stipulated by law or the bylaws.
- c) The holding of equity stakes in Spanish or foreign companies, engaged in the acquisition of urban real estate for lease as their main corporate purpose and subject to the same mandatory dividend distribution policy as SOCIMIs, providing that the investment requirements referred to in art. 3 of the SOCIMI Act are met.

- d) The holding of shares or participations in Collective Real Estate Investment Undertakings governed by Law 35/2003, of 4 November, on Collective Investment Undertakings, or by future laws which may replace it.

## **2. Progress of the Business**

### **2.1 Business Progress and Results in 2020.**

Both the parent company and the subsidiary were incorporated in 2020.

In 2020, the subsidiary acquired a total of 595 assets, transferring 8 of them throughout the year in the interest of the business. Accordingly at end of 2020, the group had 587 properties.

It also acquired 143 financial rights over a portfolio of properties made available up for sale, transferring 32 throughout the year and retaining 111 at year end.

Any of said assets made available for sale and not sold by 28 June 2021 will be acquired by the subsidiary to form part of its investment property portfolio.

### **2.2 Managing Financial Risk and Financial Instruments.**

In order to finance its property investments, the Company has acquired intragroup debt, which it hopes to reduce in 2021. External finance was also acquired.

### **2.3 Expectations for 2021**

The company intends to continue with its activity, obtaining revenues from its subsidiaries from their investment property leasing activities.

We justify these expectations by: The growth in the number of leased units, the re-valuation of the lease agreements and the implementation of a cost reduction plan.

On the basis of these expectations, the policy of the Group will be to optimise its costs and maintain an on-going control of its fund flow.

## **3. Environmental Issues**

The Group's activity inherently has no significant environmental impact.

## **4. R&D&i Activities**

The Group has not conducted any research and development activities during the financial year ended 31 December 2020.

## **5. Acquisition and Disposal of Treasury Shares**

Throughout 2020, the Group has conducted no operations involving the acquisition or disposal of treasury shares.

## **6. Other Relevant Information**

The Parent Company shares are not listed on the stock market. However, with a view to complying with the legal requirements for SOCIMI, the Company intends to undertake proceedings to be listed on the Spanish multilateral trading market (MAB) in 2021.

**Consolidated Annual Financial Statements for the period from 29 January 2020 (date of incorporation) to 31 December 2020, formulated in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union.**

In accordance with current legislation, the company directors have formulated the Consolidated Annual Financial Statements for the period from 29 January (date of incorporation) to 31 December 2020, formulated in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union, and which include:

- The consolidated balance sheet
- Consolidated income statement
- Consolidated Statement of Comprehensive Income
- Consolidated Statement of Changes in Net Assets
- Consolidated Cash Flow Statement
- Notes to the consolidated annual financial statements
- Consolidated directors' report

Madrid, 5 March 2021

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Zubin Phiroze Irani

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Juan Ignacio Gómez Vega

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Bluseat Trust Services Spain, S.L.U., represented by Rima Yousfan Moreno