AREF Thalassa SOCIMI, S.A. and subsidiaries

Auditor´s Report,
Consolidated Annual Accounts for the year between January 27, 2022 and December 31, 2022 and
Consolitated Management Report

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent auditor's report on the consolidated annual accounts

To the shareholders of AREF Thalassa SOCIMI, S.A. (Unipersonal Company):

Opinion

We have audited the consolidated annual accounts of AREF Thalassa SOCIMI, S.A. and subsidiaries (the Parent company) and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2022, and the income statement, statement of changes in equity, cash flow statement and related notes, all consolidated, for the financial year comprised of the period between 27 January 2022 and 31 December 2022.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at 31 December 2022, as well as its financial performance and cash flows, all consolidated, for the financial year comprised of the period between 27 January 2022 and 31 December 2022, in accordance with the applicable financial reporting framework (as identified in note 2 of the notes to the consolidated annual accounts), and in particular, with the accounting principles and criteria included therein.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

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

Most relevant aspects of the audit

The most relevant aspects of the audit are those that, in our professional judgment, were considered to be the most significant risks of material misstatement in our audit of the consolidated annual accounts of the current period. These risks were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these risks.

Most relevant aspects of the audit	How our audit addressed the most relevant aspects of the audit
Measurement of Investment Property Investment property amounts to €163 million and makes up 96% of the Group's assets at 31 December 2022. The Group measures investment property at cost less the relevant accumulated depreciation and if appropriate, impairment losses recognised, as outlined in Note 4.2 to the consolidated annual accounts. When there are indications of impairment, the Group analyses investment property with a view to determining whether the recoverable amount is less than carrying amount. In 2022 the Group recognised €3.5 million in impairment in respect of investment property. In order to consider the recoverable amount of investment property, the Company bases itself on the valuation carried out by an independent expert. The valuation was carried out in accordance with the methodology described in note 6 to the consolidated annual accounts. Additionally, the Group recognises depreciation on investment property on a straight-line basis, based on the estimated useful life detailed in note 4.2 to the consolidated annual accounts. We consider the measurement of investment property a key audit matter largely due to its significance with respect to the consolidated annual accounts as a whole and the fact that there is a risk associated with the measurement of investment property.	We verified that the useful life taken into account for investment property agrees with its nature and we carried out tests on the arithmetic calculation of the depreciation charge for the year. With respect to potential impairment losses, we obtained the valuation of investment property carried out by the independent expert engaged by the parent company, on which we performed the following procedures, among others: • Verification of the expert valuer's competence, capacity and independence by obtaining confirmation and corroborating his professional standing in the market. • Verification that the valuation was performed according to accepted methodology. • Performing substantive tests to verify the accuracy of the most relevant data provided by the parent company to the valuer and used by it in the valuation. Additionally, we assessed the sufficiency of the information disclosed in the consolidated annual accounts in this respect. The results of the procedures performed have enabled the audit objectives for which such procedures were designed to be reasonably attained.

Other information: Consolidated management report

Other information comprises only the consolidated management report for the 2022 financial year, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility regarding the consolidated management report, in accordance with legislation governing the audit practice, is to evaluate and report on the consistency between the consolidated management report and the consolidated annual accounts as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of the consolidated management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described in the previous paragraph, the information contained in the consolidated management report is consistent with that contained in the consolidated annual accounts for the 2022 financial year, and its content and presentation are in accordance with the applicable regulations.

Responsibility of the Parent company's directors for the consolidated annual accounts

The Parent company's directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with the financial reporting framework applicable to the Group in Spain, and for such internal control as the aforementioned directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent company's directors 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 aforementioned directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the consolidated annual accounts

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice 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 annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, 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 the Parent company's directors.

- Conclude on the appropriateness of the Parent company's 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 annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent company's directors 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 risks that were of most significance in the audit of the consolidated annual accounts of the current period and are, therefore, considered to be the most significant risks.

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

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in spanish signed by Fernando Chamosa Valín (21402)

31 May 2023

AREF THALASSA SOCIMI, S.A. (Sociedad Unipersonal) and its subsidiaries

Consolidated Financial Statements corresponding to the year between 27 January 2022 and 31 December 2022

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AREF THALASSA SOCIMI, S.A.U. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2022

(In thousands of Euros)

ASSETS	Note	31/12/2022
I. Investment property	6	**162,995**
1. Land		101,156
2. Buildings		61,839
II. Long-term financial investments	8	**6,252**
1. Derivatives		5,813
2. Other financial assets		439
TOTAL NON-CURRENT ASSETS		**169,247**
I. Trade debtors and other accounts receivable	8 and 12	**747**
1. Customers by sales and services		34
2. Other receivables		713
III. Cash and equivalents	9	**1,146**
1. Treasury		1,146
TOTAL CURRENT ASSETS		**1,893**
TOTAL ASSETS		**171,140**

Notes 1 to 16 to the attached consolidated financial statements form an integral part of these Consolidated Financial Statements.

(*) The year from 27 January 2022 to 31 December 2022 is the first year for which the Group's Consolidated Financial Statements are prepared (Note 2)

AREF THALASSA SOCIMI, S.A.U. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2022
(In thousands of Euros)

NET EQUITY AND LIABILITIES	Note	31/12/2022
I. Capital	11	**5,060**
II. Share premium	11	**46,068**
III. Reserves	11	**(1)**
1. Other reserves		(1)
2. Reserves in companies consolidated by global integration		(0)
IV. Consolidated profit for the period		**(4,316)**
Total shareholders' equity		**46,811**
A-2) Valuation adjustments		**3,211**
TOTAL NET EQUITY		**50,022**
I. Long-term debts	10	**66,246**
1. Debt with credit institutions		65,409
2. Other financial liabilities		837
II. Long-term debt with group companies and associates	10 and 14	**52,945**
TOTAL NON-CURRENT LIABILITIES		**119,191**
I. Short-term debt with group companies and associates	10 and 14	**491**
1. Other debt		491
II. Trade creditors and other accounts payable	10 and 12	**1,436**
1. Miscellaneous creditors		1,365
2. Other debt with Public Administrations		57
3. Customer prepayments		14
TOTAL CURRENT LIABILITIES		**1,927**
TOTAL EQUITY AND LIABILITIES (A + B + C)		**171,140**

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(*) The year from 27 January 2022 to 31 December 2022 is the first year for which the Group’s Consolidated Financial Statements are prepared (Note 2)

AREF THALASSA SOCIMI, S.A.U. AND ITS SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR THE YEAR BETWEEN 27 JANUARY 2022 AND 31 DECEMBER 2022

(In thousands of Euros)

	Note	31/12/2022
I. Net business turnover	13	**4,622**
II. Other operating income	13	**251**
Non-core and other current operating revenues		251
III. Other operating expenses	13	**(2,502)**
Third party services		(2,259)
Taxes		(243)
IV. Depreciation and amortisation of fixed assets	6 and 13	**(811)**
V. Impairment and profit/(loss) on disposal of fixed assets	6	**(3,487)**
OPERATING INCOME		**(1,927)**
V. Financial expenses	13	**(2,389)**
Related-party debt		(2,389)
FINANCIAL INCOME		**(2,389)**
PROFIT BEFORE TAX		**(4,316)**
Taxes on profit	12	-
PROFIT FROM CONTINUED OPERATIONS		**(4,316)**
DISCONTINUED OPERATIONS		**-**
CONSOLIDATED PROFIT/(LOSS) FOR THE PERIOD		**(4,316)**
Profit attributed to Parent Company		(4,316)

Notes 1 to 16 to the attached consolidated financial statements form an integral part of these Consolidated Financial Statements.

(*) The year from 27 January 2022 to 31 December 2022 is the first year for which the Group's Consolidated Financial Statements are prepared (Note 2)

AREF THALASSA SOCIMI, S.A.U. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CORRESPONDING TO THE YEAR BETWEEN 27 JANUARY 2022 AND 31 DECEMBER 2022

(In thousands of Euros)

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE CORRESPONDING TO THE YEAR BETWEEN 27 JANUARY 2022 TO 31 DECEMBER 2022

	Note	31/12/2022
Consolidated profit for the period	**11**	**(4,316)**
Total income and expenses recognised directly in net equity		-
Total transfers to consolidated income statement		-
TOTAL CONSOLIDATED INCOME AND EXPENSES		**(4,316)**
Total income and expenses attributed to Parent Company		**(4,316)**
Total income and expenses attributed to External shareholdings		**-**

Notes 1 to 16 to the attached consolidated financial statements form an integral part of these Consolidated Financial Statements.

(*) The year from 27 January 2022 to 31 December 2022 is the first year for which the Group's Consolidated Financial Statements are prepared (Note 2)

AREF THALASSA SOCIMI, S.A.U. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CORRESPONDING TO THE YEAR BETWEEN 27 JANUARY 2022 AND 31 DECEMBER 2022

(In thousands of Euros)

B) TOTAL CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CORRESPONDING TO THE YEAR BETWEEN 27 JANUARY 2022 AND 31 DECEMBER 2022

	Capital (Note 11)	Share premium (Note 11)	Previous years' reserves and profit or loss (Note 11)	Reserves in consolidated companies	Profit for the period attributed to Parent Company	Valuation adjustments	TOTAL
ADJUSTED BALANCE, START OF YEAR 2022	**-**	**-**	**-**	**-**	**-**	**-**	**-**
I. Total consolidated recognised income and expenses	-	-	-	-	(4,316)	-	**(1,105)**
II. Transactions with shareholders or owners	**5,060**	**46,068**	**(1)**	**(0)**	-	**-**	**51,127**
1. Incorporation of Parent Company	60	-	(1)	(0)	-	-	59
2. Capital increase	5,000	46,068	-	-	-	-	51,068
III. Other changes in equity	-	-	**-**	**-**	-	**3,211**	**-**
CLOSING BALANCE, 31 DECEMBER 2022	**5,060**	**46,068**	**(1)**	**(0)**	**(4,316)**	3,211	**50,022**

Notes 1 to 16 to the attached consolidated financial statements form an integral part of these Consolidated Financial Statements.

(*) The year from 27 January 2022 to 31 December 2022 is the first year for which the Group's Consolidated Financial Statements are prepared (Note 2)

AREF THALASSA SOCIMI, S.A.U. AND ITS SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT CORRESPONDING TO THE YEAR BETWEEN 27 JANUARY 2022 TO 31 DECEMBER 2022
(In thousands of Euros)

		Note	31/12/2022
	OPERATING CASH FLOWS		
1.	**Pre-tax profit for the year**		**(4,316)**
2.	**Adjustments to profit:**		**6,687**
	- Investment property amortisation (+)	6 and 13	811
	- Value impairment (+)		3,487
	- Financial expenses (+)	13	2,389
3.	**Changes in working capital**		**689**
	- Debtors and other accounts receivable (+/-)	8 and 12	(747)
	- Creditors and other accounts payable (+/-)	10 and 12	1,436
	- Other current assets and liabilities (+/-)		-
	- Other non-current assets and liabilities (+/-)		-
4.	**Other operating cash flow**		**(2,389)**
	- Interest payment	13	(2,389)
A) OPERATING CASH FLOW (1+2+3)			**671**
	INVESTMENT CASH FLOW		
6.	**Payments for investments (-)**		**(170,334)**
	- Investment property	6	(167,293)
	- Other financial assets	8	(3,041)
B) INVESTMENT CASH FLOW (6)			**(170,334)**
	FINANCIAL TRANSACTIONS CASH FLOW (III)		
9.	**Receipts and payments from equity instruments**		**51,127**
	- Issue of equity instruments (+)	11	51,127
10.	**Receipts and payments from liability instruments**		**119,682**
	a) Issue (+)		**119,682**
	- Issue of debts with group companies and associates (+)	10 and 14	53,436
	- Issue of debt with credit institutions (+)	10	65,409
	- Other debt (+)		837
	b) Repayment and amortisation (-)		**-**
	- Repayment and amortisation of other debts (-)		-
C) FINANCIAL TRANSACTIONS CASH FLOW (9+10)			**170,809**

E) NET INCREASE/REDUCTION OF CASH AND EQUIVALENTS (A+/-B+/-C+/-D)		**1,146**
Cash and equivalents at start of year		-
Cash and equivalents at end of year	9	1,146

Notes 1 to 16 to the attached consolidated financial statements form an integral part of these Consolidated Financial Statements.

(*) The year from 27 January 2022 to 31 December 2022 is the first year for which the Group's Consolidated Financial Statements are prepared (Note 2)

1. COMPANY ACTIVITY

AREF Thalassa Socimi, S.A., hereinafter, the Parent Company, was incorporated on 27 January 2022 under the name Eddelton Invest, S.A. On 29 March 2022 its name was changed to the current one. This is a company incorporated in Spain in accordance with the Capital Companies Law.

On 21 March 2022, the shareholders TMF Participations Holdings (Spain), S.L. and TMF Sociedad de Participación, S.L. sold all of their shares to the company AREF Holding, S.C.A. the latter hence becoming the Sole Shareholder of the Parent Company. On the same date, the Administrative Body was amended, changing from having Joint and Several Administrators to adopting the figure of a Board of Directors, and the registered office was established in Madrid, at Paseo de la Castellana, number 93, 6th floor.

The corporate purpose of the subsidiary and its subsidiary (collectively, "the Group"), in accordance with its bylaws, is:

a) The acquisition and development of urban real estate for lease.

b) The holding of shares in the capital of other Real Estate Investment Trusts ("SOCIMI") or in that of other entities not resident in Spanish territory with the same corporate purpose thereof or subject to a similar regime to that established for SOCIMIs in terms of mandatory, legal or statutory profit distribution policy.

c) The holding of shares in the capital of other entities, whether or not they are resident in Spanish territory, whose main corporate purpose is the acquisition of urban real estate for leasing purposes and are subject to the same regime to that established for SOCIMIs in terms of mandatory, legal or statutory profit distribution policy and which meet the investment criteria set forth in article 3 of Law 11/2009 of 26 October, on real estate investment trusts.

d) The holding of stocks or shares in Real Estate Collective Investment Undertakings regulated by Law 35/2003 of 4 November, on Collective Investment Undertakings.

Any activities that should legally meet special criteria not met by the Parent Company are excluded.

In order to correctly interpret the Consolidated Financial Statements, the Parent Company is part of the AXA Residential Europe Fund Group, whose parent company is AREF Holding, S.C.A., which wholly owns of the Company's shares. The largest shareholder of the AXA Residential Europe Fund Group is AXA Residential Europe Fund, S.C.A., SICAV-SIF. The ultimate parent company of the group is AXA Investments Managers, based in Paris, France.

The Parent Company wholly owns AREF Théthys, S.L.U., as per the deed executed on 29 March 2022.

These Consolidated Financial Statements have not been prepared pursuant to any legal requirement. Management decides to prepare Consolidated Financial Statements on a voluntary basis.

<u>SOCIMI tax regime</u>

On 29 March 2022, the Tax Authority was asked to include the Company under the special tax regime for Real Estate Investment Trusts regulated by Law 11/2009 of 26 October, modified by Law 16/2012 of 27 December, regulating Real Estate Investment Trusts, effective as of its date of incorporation.

Law 11/2009 sets forth the following investment requirements in article 3:

1. SOCIMIs must have at least 80 per cent of the assets must be leasable urban properties, land for development of leasable urban properties provided the development commences within three years of acquisition, as well as shares in the capital or equity of other entities as set forth in paragraph 1 of article 2 of said Law.

   The value of the assets will be determined on the basis of the average of the individual quarterly balance sheets for the period, and to calculate this value the Company may elect between replacing the carrying value with the market value of the items in the balance sheets, which would be applied to all balance sheets in the period. To this end, any money or receivables resulting from the transfer made in that same period or previous periods of said real estate or shares, if any, will not be included in the calculation, provided that, in the latter case, the reinvestment period mentioned in article 6 of this Law has not elapsed.

2. In addition, at least 80 per cent of the earnings of the tax period in each tax year, excluding any income arising from the sale of the shares and real estate forming part of the main corporate purpose, once the

maintenance period referred to in the next paragraph has elapse, must come from the lease of real estate and dividends or profit from such shares.

This percentage must be calculated on the consolidated profit in the event that the Company is the parent of a group according to the criteria set forth in article 42 of the Commercial Code, irrespective of residence and the obligation to submit consolidated financial statements. This group shall be exclusively made up of SOCIMIs and the rest of entities mentioned in paragraph 1 of article 2 of the regulating Law.

3. Real estate assets that make up the subsidiary's assets must remain leased for at least three years. For calculation purposes, the time that the real estate has been offered for lease, up to one year, will be added. The period shall be calculated:

    a) In the event of real estate belonging to the equity of the subsidiary prior to becoming subject to the regime, as of the start of the first tax period to which the special tax regime set forth in this Law applies, provided that the asset is leased or offered for lease at that time. Otherwise, what is set forth in the next paragraph shall apply.

    b) In the event of real estate developed or acquired after by the Company, as of the date that these were leased or offered for lease for the first time.

    In the event of company shares mentioned in paragraph 1 of article 2 of this Law, these must remain as subsidiary assets for at least three years since its acquisition or, as the case may be, since the start of the first tax period to which the special tax regime established in this Law is applied.

Moreover, the SOCIMI regime calls for other requirements such as the minimum share capital being 5,000 thousand euros and that the shares are admitted for trading on a regulated market or a multi-lateral trading system.

In addition, the Parent Company must pay out in the form of dividends to its shareholders, once all applicable business obligations have been met, the profit earned in the year, agreeing on its distribution within a period of six months following the end of each financial year, and paid out during the month following the date of distribution agreement.

As set forth by the First transitory provision of Law 11/2009 of 26 October, modified by Law 16/2012 of 27 December, regulating Real Estate Investment Trusts, the application of the special tax regime under the terms set forth in article 8 of said Law may be invoked, even if the criteria set forth therein are not met, provided these are met within a period of two years as of the date of the decision to apply said regime.

In the event of failure to meet any of these conditions, the Company would pay tax under the general regime unless it should remedy said failure during the year following that of non-compliance.

At 31 December 2022, the Parent Company has a share capital of Euros 5,060 thousand. At the meeting of the Board of Directors held on 5 April 2022, it was resolved to apply for admission to trading on the Euronext market or any of its segments (Euronext Access and Euronext Access Paris) of all the shares representing the share capital.

On 18 November 2022, the company was admitted to trading of ordinary shares on Euronext Access Paris through a technical admission. The initial public offering price of its shares was Euros 8.75 per share.
The figures included in these Consolidated Financial Statements are expressed in thousands of euros, unless indicated otherwise.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Regulatory framework for financial information reporting applicable to the Company

These Consolidated Financial Statements have been prepared by the Board of Directors in accordance with the regulatory framework for financial information reporting applicable to the Group, which is that set forth in the:

a) Commercial Code and other commercial legislation.

b) The General Chart of Accounts approved by Royal Decree 1514/2007, which has been amended by Royal Decree 1159/2010, Royal Decree 602/2016 and Royal Decree 1/2021, and its sector adaptations, specifically that relating to real estate companies and subsequent approved amendments.

b) The mandatory rules approved by the Spanish Accounting and Account Auditing Institute implementing the General Chart of Accounts and supplementary rules.

c) Law 11/2009, of 26 October, modified by Law 16/2012, of 27 December, regulating Real Estate Investment Trusts (SOCIMI) in relation to the obligatory information to report in this consolidated report.

d) The remaining Spanish accounting regulations of application.

2.2 True and fair view

These Consolidated Financial Statements have been obtained from the accounting records of the Parent Company and its subsidiaries included within the scope of consolidation and include the adjustments and reclassifications required for consistency in timing and valuation of the accounting criteria established by the Group.

These Consolidated Financial Statements are filed pursuant to current mercantile legislation, as laid down in the Commercial Code reformed in accordance with Law 16/2007, of 4 July, on the reform and adaptation of mercantile legislation in accounting matters for its international harmonisation on the basis of European Union regulations, Royal Decree 1514/2007, of 20 November, approving the General Chart of Accounts, and subsequent amendments, as well as Royal Decree 1159/2020, of 17 September, as well as the Rules for the Adaptation of the General Chart of Accounts to Real Estate Companies (Order of 28 December 1994), in all aspects that do not oppose the provisions of the abovementioned mercantile reform, in order to give a true and fair view of the Group's equity, consolidated financial position and results, as well as the truthfulness of the cash flows included in the consolidated statement of cash flows. The consolidated financial statements are prepared in accordance with the applicable financial reporting framework and, in particular, the accounting principles and criteria contained therein, in order to give a true and fair view of the Parent Company's equity, financial position and results of operations for the corresponding period. These Consolidated Financial Statements have been prepared by the Board of Directors of the Parent Company on 31 March 2023.

The figures contained in the documents comprising these consolidated financial statements, the consolidated balance sheet, the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement and these Notes to the Consolidated Financial Statements are expressed in thousands of euros.

2.3 Information comparison and non-obligatory accounting principles applied

In order to correctly interpret the figures for the year ended 31 December 2022, it is important to bear in mind that the Parent Company was incorporated on 27 January 2022, as well as the subsidiary, which was incorporated and acquired in the same year.

Therefore, the Consolidated Financial Statements, as well as the related Notes, show information pertaining to the period from 27 January 2022 to 31 December 2022.

Since this is a newly created consolidation, the changes in the scope of consolidation are those concerning the subsidiary (Note 1).

No non-obligatory accounting principles have been applied. In addition, the Board of Directors have prepared these Consolidated Financial Statements taking into consideration all of the accounting principles and standards of mandatory application that have a significant effect on said Consolidated Financial Statements. There are no mandatory accounting principles that have not been applied.

2.4 Critical aspects of the valuation and estimation of uncertainty

When preparing the Group's Consolidated Financial Statements, the Board of Directors have made estimates to determine the carrying value of some of the assets, liabilities, income and expenses and items in contingent liabilities. These estimates have been made on the basis of the best available information at the close of the period. Nevertheless, given the uncertainty inherent thereto, future events may occur that might require these to be changed in the coming years, which shall be done, if necessary, prospectively.

The Parent Company carries out a continuous review of its estimations.

The most significant estimates and assessments are explained below:

2.4.1 – Provisions

Provisions are recognised when it is likely that a present obligation resulting from past events will result in an outflow of resources and the amount of the obligation can be reliably estimated. Significant estimates are necessary in order to comply with the requirements of the accounting standard. The Board of Directors makes estimates, assessing all relevant facts and information, of the probability of occurrence of contingencies as well as the amount of the liability to be settled in the future.

2.4.2 - Useful lives of the real estate investment assets

The Board of Directors determine the estimated useful lives and pertaining depreciation costs for their real estate investments and for assets subject to amortisation. Useful lives are estimated on the basis of the period over which the investments will be generating economic profit and taking its residual value into consideration. At each year end the subsidiary reviews the useful lives and, if the estimates differ from those previously made, the effect of the change is accounted for prospectively as of the financial year in which the change has occurred.

2.4.3 - Valuation of real estate investments

The best evidence of the fair value of real estate investments that are used by the Directors to identify potential indicators of impairment, as stated in Note 6, are the prices of similar assets in an active market. In the absence of such information given the current market situation, the subsidiary determines fair value on the basis of fair value intervals. When making this assessment, the subsidiary uses a number of sources, including:

a) Current prices in an active market of properties of a different nature, condition or location, adjusted to reflect any differences compared to the assets owned by the subsidiary.

b) Recent property prices in other less active markets, adjusted to reflect changes in the economic conditions since the transaction date.

c) Discounted cash flows based on estimates arising from both current and projected lease agreement terms and, if possible, based on market prices of similar properties in the same location, using discount rates that reflect the uncertainty of the time factor.

To this end, during the period 2022, the subsidiary arranged for an expert appraiser to carry out the independent valuation of its assets. The method used for both years has been explained in Note 4.2 of this report.

2.1.1 - Tax on profit

The Parent Company and its subsidiary are subject to the regime set forth in Law 11/2009 of 26 October, regulating Real Estate Investment Trusts (SOCIMI), which in practice means that assuming certain requirements are met, the Parent Company qualifies for a Corporate Income Tax rate of 0% (Note1).

The Board of Directors of the Parent Company monitors compliance with the requirements set forth in the legislation, in order to retain the tax advantages established therein. In this regard, the Board of Directors expects such requirements to be met in a correct and timely manner, not having to post any result connected with Corporate Income Tax.

Notwithstanding the fact that the estimation criteria are based on rational assessments that are based on objective analysis criteria, it is possible that events taking place in the future may require its modification (upwards or downwards) in the coming periods; if necessary, and in accordance with IAS 8, this will be done through the prospective recognition of the change in estimate in the consolidated income statement.

Despite such estimates having been made on the basis of the best information available at 31 December 2022, it is possible that events taking place in the future might require these to be modified (upwards or downwards) in coming years, which would be done, if applicable, on a prospective basis, recognising the effects of the change in the estimate in the pertaining consolidated income statements.

2.5 Grouping of items

For the purposes of easing comprehension of the consolidated balance sheet and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement, these statements are presented in grouped form, although, insofar as it may be significant, the itemised information has been included in the pertaining Notes to the consolidated financial statements.

2.6 Elements included in several items

The attached Consolidated Financial Statements do not include any elements which, given their similar amount or nature, are recognised in two or more items of the Consolidated Balance Sheet.

2.7 Correction of errors

Given that the Parent Company began its activity in 2022, there has been no correction of previous errors.

2.8 Effects of the Ukrainian conflict on the company's activity

On 24 February 2022 the Russian army began its invasion of the Ukraine. At this date, the Board of Directors of the Parent Company have carried out a preliminary evaluation based on the best possible estimation, having concluded that its effects, both on the evolution of demand and on the prices of the various consumptions, will not be significant and will largely depend on the evolution of the conflict, including the potential direct involvement of third countries.

3. ALLOCATION OF PROFIT

At 31 December 2022, the Parent Company recorded a loss of Euros 264 thousand and, therefore, no distribution of profit is required. The proposed allocation of the profit for the year formulated by the Board of Directors of the Company and to be submitted to the approval of the Sole Shareholder is to transfer this amount to "Previous years' losses".

	Thousands of Euros
	2022
Previous years' losses	264
Total	**264**

4. ACCOUNTING AND MEASUREMENT RULES

In accordance with Note 2, the Parent Company has applied the accounting policies in accordance with the accounting principles and standards set out in the Commercial Code, which are implemented in the General Chart of Accounts, as well as all other mercantile legislation in force at the date of these Consolidated Financial Statements for 2022. In that regard, only the policies that are specific to the Group's activity and those deemed significant in light of the nature of its activities are listed below.

4.1. Subsidiaries

4.1.1. Acquisition of control

The acquisitions made by the Parent Company (or other companies in the Group) of the control of a subsidiary constitutes a business combination that is measured in accordance with the acquisition method. This method requires the measurement by the acquiring company on the date of acquisition of the identifiable assets acquired and liabilities assumed in a business combination, in addition to, as the case may be, the pertaining goodwill or negative difference. Its subsidiaries are consolidated as of the date on which the control is transferred to the Group, and excluded from the consolidation when the control ceases to exist.

The cost of acquisition is measured as the sum of the fair values, on the acquisition date, of the assets delivered, liabilities incurred or assumed and the equity instruments issued by the acquirer and the fair value of any contingent consideration that depends on future events or fulfilment of certain conditions, that must be recognised as an asset, a liability or net equity according to its nature.

The expenses related to the issue of equity instruments or the financial liabilities delivered do not form part of the cost of the business combination, being recognised in accordance with the rules applicable to financial instruments. Fees paid to legal advisers and other professionals involved in the business combination are recognised as expenses as these are incurred. Any expenses generated internally by such items, or those, if any, incurred by the acquiree, are equally not included in the cost of the combination.

Any surplus, on the acquisition date, of the cost of the business combination over the proportional share of the value of the identifiable assets acquired, minus that of liabilities assumed, representing the share in the capital of the acquired company, is recognised as goodwill. In the exceptional case that this amount were higher than the cost of the business combination, the surplus will be recognised as income in the consolidated income statement.

4.1.2. Consolidation method

The assets, liabilities, income, expenses, cash flows and other items of the Group are added to the Consolidated Financial Statements of the Group by the full consolidation method. This method requires the following:

- Consistency in timing. The Financial Statements are established on the same date and period as those used for the Consolidated Financial Statements.

- Consistency in valuation. The assets, liabilities, income and expenses and other items in the consolidated financial statements of the Group companies have been valued using uniform methods. Any assets or liabilities, or any items of income or expenses that may have been valued according to non-uniform criteria with respect to those applied in the consolidation are valued anew, making any necessary adjustments, solely for consolidation purposes.

- Aggregation. The various items of the individual financial statements that had been previously standardised are aggregated according to its nature.

- Elimination of investment-net equity. Carrying values of the equity instruments of the subsidiary that are held, directly or indirectly, by the Parent Company, are offset against the proportional share of the equity items of said subsidiary attributable to such instruments, generally on the basis of the values resulting from applying the acquisition method described above. In consolidations subsequent to the year in which the control was acquired, any excess or shortfall of equity generated by the subsidiary since the acquisition date that is attributable to the Parent Company shall be presented in the consolidated balance sheet under reserves or value change adjustments, according to its nature.

- Intra-group item estimates. Credits and debits, income and expenses and cash flows between Group companies are eliminated in full. Similarly, all of the results generated from internal transactions are eliminated and deferred until carried out with third parties outside of the Group. In addition, and as a result of the internal transactions that generate expenses in the heading of investment property, these have been eliminated as part of this process.

- External shareholdings. The valuation of external shareholders is carried out according to their actual share of the equity of the subsidiary once the previous adjustments have been made. Consolidation goodwill is not attributed to external shareholders. The difference between losses attributable to the external shareholders of a subsidiary and the share of the equity that proportionally belong to them is attributed to them, even if this generated a debit in said item.

4.2. Investment property

The investment property heading of the consolidated Balance Sheet includes the value of land, buildings and other constructions that are held either for lease or to obtain capital gains through sale as a result of increments happening in the future in its respective market prices.

The assets included under the heading of investment property are initially valued at cost, which is its acquisition price. In addition to the amount billed by the vendor after deducting any discount or reduction in the price, the acquisition price includes all additional and directly related expenses that are incurred until the asset is put in operating condition.

Subsequently, said investment property items are valued at acquisition price minus the accumulated amortisation and, as the case may be, the accumulated amount of recognised impairment value adjustments.

The amortisation of these assets is carried out in a systematic and rational manner according to the useful life of the assets and its residual value, taking into account the depreciation usually resulting from use, operation and enjoyment, notwithstanding the consideration of technical or commercial obsolescence that might also affect them.

In particular, the subsidiary considers a useful life of 100 years for the investment property included under assets in the consolidated balance sheet.

Any changes that, as the case may be, could affect the residual value, the useful life and the amortisation method of an asset would be recognised as changes in accounting estimates, unless it is an error.

The maintenance or repair expenses of investment property that do not improve future cash flows of the cash generating unit they belong to, or its useful life, are debited to expense accounts included in the consolidated Income Statement of the year in which these are incurred. On the other hand, any amounts invested in improvements that help increase capacity or efficiency or to extend the useful life of such assets are recognised at the higher value thereof.

The assets subject to amortisation are tested for impairment when an event or change in circumstances indicates that the carrying value is non-recoverable.

An impairment loss is recognised as the different between the asset's carrying value and its recoverable value, the latter understood as the fair value of the asset minus costs of sale or value in use, whichever is higher.

The carrying value of the subsidiary's investment property is corrected at the end of each financial year, recognising the pertaining impairment loss in order to adjust it to the recoverable amount when its fair value minus costs of sale is lower than its carrying value.

When an impairment loss is subsequently reversed, the carrying value of the asset is increased up to the adjusted estimation of its recoverable value, although the increased carrying value must not exceed the carrying value that would have been calculated had the impairment loss of previous years not been recognised, that is to say, that the reversal of impairment is limited to the carrying value of the asset that would have been recognised if the impairment loss had not been previously recognised. The reversal of an impairment loss is recognised in the consolidated Income Statement when the circumstances that led to such an impairment no longer exist.

4.3. Financial instruments

4.3.1. Financial Assets

The financial assets owned by the Group are classified into the following categories:

Financial assets at amortised cost:

Includes financial assets, including those admitted to trading on an organised market, which are held by the Group companies in order to receive the cash flows arising from the execution of the trade, and the contractual conditions of the assets generate, on scheduled dates, cash flows which solely consist of receipts of principal and interest on the outstanding principal amount.

Contractual cash flows which are solely receipts of principal and interest on the outstanding principal amount are inherent to an agreement in the form of an ordinary or common loan, notwithstanding the fact that the trade has been agreed at a zero interest or below market rate.

This category includes trade and non-trade receivables:

a) Trade receivables: arising from the sale of goods or provision of services from deferred receipt business operations, and

b) Non-trade receivables: financial assets which, not being equity instruments nor derivatives, have no trade origin and whose receivables are of a determined or determinable amount, arising from loans granted by the company.

Initial valuation

Financial assets classified in this category will be initially valued at fair value which, unless evidence to the contrary, will be the price of the transaction, which shall be equal to the fair value of the consideration received, plus any directly attributable transaction costs.

However, trade receivables maturing under one year which do not have an explicit contractual interest rate, as well as loans granted to personnel, dividends receivable and calls on shares, expected to be received in the short-term, are valued at face value when the effect of not discounting the cash flows is deemed not significant.

Subsequent valuation

Financial assets included in this category shall be valued at amortised cost. Accrued interest is recognised in the income statement, by applying the effective interest rate method.

However, loans maturing under one year, as set forth in the previous paragraph, are initially valued at face value, and will continued to be valued in this way unless there has been impairment.

When the contractual cash flows of a financial asset are modified due to financial difficulties of the issuer, the company analyses whether a value impairment loss should be recognised.

Value impairment

The necessary valuation adjustments are made, at least at year end and when there is objective evidence that the value of a financial asset, or group of financial assets with similar risk characteristics that have been collectively valued, has been impaired as a result of one or more events that have occurred after initial recognition and which cause a reduction or delay in future estimated cash flows, which may be due to the debtor's insolvency.

Generally speaking, impairment loss of such financial assets is the difference between its carrying value and the present value of future cash flows, including, as the case may be, those arising from the execution of personal and *in rem* guarantees, that are estimated to be generated, discounted at the effective interest rate calculated at the time of initial recognition. For financial assets at variable interest rate, the effective interest rate that pertains to the closing date of the Consolidated Financial Statements in accordance with contractual conditions is used.

Impairment value adjustments, as well as reversal when the amount of such a loss should drop for reasons connected to a subsequent event, are recognised as income or expenses, respectively, in the consolidated Income Statement. Impairment reversal is limited to the carrying value of the asset that would be recognised on the reversal date if the value impairment had not been recognised.

Financial assets at fair value through equity:

This category covers financial assets for which the contractual terms give rise —on specified dates— to cash flows that are solely collections of principal and interest on the principal amount outstanding, and are not held for trading and are not classified in the category “Financial assets at amortised cost”. This category also includes investments in equity instruments for which the irrevocable option to be classified as “Financial assets at fair value through equity” has been exercised.

Initial valuation

The financial assets included in this category are initially measured at their fair value, which is generally understood to be the transaction price, i.e. the fair value of the consideration given, plus any directly attributable transaction costs, including the amount of any pre-emptive subscription rights and similar rights acquired.

Subsequent valuation

Financial assets included in this category are measured at fair value, without deducting any transaction costs that could be incurred on disposal. Changes in fair value are recognised directly in equity until the financial asset is derecognised or impaired, at which time the amount recognised is recorded in the income statement.

However, impairment losses and gains and losses arising from exchange differences on monetary financial assets denominated in foreign currencies are recorded in the income statement. Interest income, calculated using the effective interest rate method, and accrued dividends are also recorded in the income statement.

When it is necessary to assign a value to these assets for de-recognition on the balance sheet or any other reason, the weighted average cost by homogeneous group method should be applied. In the exceptional case that an equity instrument’s fair value is no longer reliable, prior adjustments recorded directly in equity are treated in the same way as for impairment of financial assets at cost.

In the event of sale of pre-emption rights and similar rights or segregation thereof to exercise them, the amount of the rights reduces the carrying value of the respective assets. This amount corresponds to the fair value or cost of the rights, in a manner consistent with the measurement of the associated financial assets.

Value impairment

The necessary valuation adjustments are made, at least at year-end whenever there is objective evidence that the value of a financial asset, or group of financial assets included in this category with similar risk characteristics that have been measured collectively, has become impaired as a result of one or more events that occurred after initial recognition and which give rise to an impairment loss:

a) In the case of purchased debt instruments, estimated future cash flows that are reduced or delayed due to the insolvency of the debtor; or

b) In the case of investment in equity instruments, when the carrying amount of the asset becomes non-recoverable due to a prolonged or significant decline in its fair value. Generally considering that the instrument has become impaired after a fall of one and a half years or forty per cent in the market price without its value having recovered, although it may be necessary to recognise an impairment loss prior to the end of this period or before the market price has fallen by the abovementioned percentage.

The impairment allowance for these financial assets is the difference between the cost or amortised cost less any impairment loss previously recognised in the income statement, and the fair value on the date of measurement. The cumulative losses recorded in equity as a result of a decline in fair value —provided that there is objective evidence of impairment in the value of the asset— are recognised in the income statement.

Any increase in fair value in subsequent years is credited to the income statement for the year in order to reverse the impairment loss recognised in prior years. With the exception of increases in the fair value of an equity instrument that is recognised directly in equity.

4.3.2. Financial liabilities

Financial liabilities assumed or incurred by the Group are classified into the following valuation categories:

Financial liabilities at amortised cost

This category generally includes trade and non-trade payables:

a) Trade payables: financial liabilities arising from the purchase of goods and services as part of the company's ordinary operations with deferred payment, and

b) Non-trade payables: financial liabilities which, not being equity instruments nor derivatives, have no trade origin but arise from loans granted to the company.

Participative loans that have the characteristics of an ordinary or common loan are also included in this category (notwithstanding the zero or below market interest rate agreed).

Initial valuation

Financial liabilities classified in this category will be initially valued at fair value which, unless evidence to the contrary, will be the price of the transaction, which shall be equal to the fair value of the consideration received, plus any directly attributable transaction costs.

However, trade payables maturing under one year which do not have an explicit contractual interest rate, as well as third party calls on shares, expected to be paid in the short-term, are valued at face value when the effect of not discounting the cash flows is deemed not significant.

Subsequent valuation

Financial liabilities included in this category shall be valued at amortised cost. Accrued interest is recognised in the income statement, by applying the effective interest rate method.

However, debts maturing under one year that have been initially valued at face value, will continue to be valued as such.

4.3.3. Derivative financial instruments

Financial derivatives are valued, both at initial and subsequent valuations, at fair value. The method for recognising resulting gains or losses depends on whether or not the derivative has been designated as a hedge instrument and, if so, the type of hedge.

Cash flow hedging:

The share of the profit or loss of the hedge instrument deemed to be an effective hedge is directly recognised in equity. Thus, the equity component arising as a result of the hedge is adjusted to ensure it is equal, in absolute terms, to the lower of the two following values:

1) The accumulated profit or loss of the hedge instruments since the start of the hedge.

2) The accumulated change in the fair value of the hedged item (that is, the accumulated present value of the expected future cash flows that have been hedged) since the start of the hedge.

Any gains or losses resulting from the hedge instrument or any gains or losses required to offset the change in cash flow hedge adjustments calculated as described in the previous paragraph, represent a hedge ineffectiveness that is recognised in the year's profit or loss.

If a hedge transaction deemed to be highly likely should result in the recognition of a non-financial asset or a non-financial liability, or a hedged transaction on a non-financial asset or non-financial liability should become a firm commitment subject to fair value hedge accounting, the amount of the cash flow hedge adjustments is eliminated and directly included in the initial cost or other carrying value of the asset or liability. This same criterion is applied in interest rate hedges used in the acquisition of an investment in a group, multi-group or associate company.

In all other cases, the adjustment recognised in equity is transferred to the income statement to the extent that the hedged expected future cash flows affect the profit for the year.
However, if the adjustment recognised in equity is a loss and part or all thereof is expected not to be recovered over one or more future years, this amount not expected to be recovered is immediately reclassified in the profit for the year.

4.4. Tax on profit

4.4.1. General regime

The income or expense from Tax on Profit includes the share of the income or expense from current tax and the share of the income or expense from deferred tax.

Current tax is the amount paid by the Parent Company as a result of tax payable on profit in a financial year. Deductions and other tax credits in the tax payable, excluding withholdings and payments on account, as well as tax loss carryforwards applied in this year, result in a lower amount of current tax payable.

Deferred tax income or expense pertains to the recognition and cancellation of deferred tax assets and liabilities. These include temporary differences, that are identified as the amounts that are expected to be payable or recoverable arising from the differences between the carrying values of assets and liabilities and its tax value, as well as any carryforward losses to be offset and tax credits not applied. These amounts are recognised by applying the to the pertaining temporary difference or credit the tax rate at which these are expected to be recovered or paid.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or from other assets or liabilities in a transaction that does not affect either the tax result or the accounting profit and is not a business combination.

On the other hand, deferred tax assets are only recognised to the extent that it is deemed likely that the Group companies will have future tax gains against which to apply them.

Deferred tax assets and liabilities, arising from operations with direct debits or credits in equity, are also recognised in equity.

At each closing date, any deferred tax assets are reconsidered, making any appropriate adjustments if there are doubts as to its future recovery. Similarly, at each closing deferred tax assets not recognised in the balance sheet are valued and recognised to the extent that its recovery with future tax credits becomes likely.

4.4.2. SOCIMI tax regime

On 29 March 2022, and effective as of tax year 2022 and following, the Parent Company informed the Office of the Spanish Inland Revenue Department corresponding to its address of the choice made by the Sole Shareholder to become subject to the special SOCIMI tax regime.

In accordance with Law 11/2009 of 26 October, regulating Real Estate Investment Trusts (SOCIMI), entities that meet the criteria defined in the regulations and elect to be subject to the application of the special tax regime set forth in said Law, will qualify for a 0% Corporate Income Tax rate. In the event of tax loss carryforwards, article 25 of the Consolidated Text of the Corporate Income Tax Law shall not be of application. Likewise, the system of deductions and credits established in Chapters II, III and IV of said law shall not be applicable. In all other matters not considered in the SOCIMI law, what is set forth in the Consolidated Text of the Corporate Income Tax Law shall apply.

Moreover, as set forth in the modifications added to the Law 11/2021 of 9 July, the entity will be subject to a special rate of 15% on the amount of profit earned during the year that is not subject to distribution, regarding the share thereof not arising from income that have not paid tax under the general Corporate Income Tax rate, or concering income subject to the reinvestment period regulated in letter b) of paragraph 1 of article 6 of this Law. This rate shall be considered the tax payable under Corporate Income Tax.

The entity is subject to a special rate of 19% on the full amount of dividends or share of profits payable to shareholders whose holding in the share capital of the company is equal to or above 5%, when such dividends, payable to their shareholders, are exempt or pay tax at a rate below 10%. This rate shall be considered the tax payable under Corporate Income Tax.

The Directors of the Parent Company monitor compliance with the requirements set forth in the legislation, in order to retain the tax advantages established therein. In this regard, the Directors expect such requirements to be met in a correct and timely manner, not having to post any result connected with Corporate Income Tax.

4.5. Income and expenses

Income and expenses are recognised according to the accrual criterion, that is, when the actual flow of goods and services they represent actually takes place, irrespective of the time of generation of the monetary or financial flow arising therefrom.

Income is recognised when the control of the goods or services is transferred to the customers. At that time the income is recognised as the amount of consideration expected to receive for the transfer of the goods and services set out in agreements with customers, as well as other income not arising from customer contracts that constitute the ordinary activity of the Group. The recognised amount is calculated by deducting from the amount of the consideration for the transfer of goods or services agreed with customers and other income from the Group's ordinary activities, the amount of the discounts, rebates, price reductions, incentives or rights delivered to the customers, as well as value added tax and other taxes directly related thereto that must be output.

When the price agreed in customer contracts includes a variable consideration amount, the price to be recognised includes the best estimate of the variable consideration to the extent that it is highly likely that no significant reversal of the recognised income amount will take place when the uncertainty associated with the variable consideration is resolved. The subsidiary bases its estimates on historical information, taking into account the type of customer, the type of transaction and the specific terms of each agreement.

The Group companies recognise income when the amount thereof can be reliably valued, it is likely that future economic profit will be earned by the Parent Company and the specific conditions for each of the activities performed are met. Income is not considered to be reliably valued until all contingencies related to the sale have been resolved.

The Group provides leasing services. The leases in which the lessor retains a significant share of the risks and benefits inherent to ownership are classified as operating leases.
When a Group company is the lessor under an operating lease, the asset is added to the consolidated balance sheet according to its nature. Income arising from leases is recognised on a straight line basis over the term of the lease.

4.6. Provisions and contingencies

When drawing up the Consolidated Financial Statements, the Administrative Body of the Parent Company distinguishes between:

a) Provisions: credit balances that cover current obligations stemming from past events, whose cancellation is likely to generate an outflow of funds, but the amount thereof and/or time of cancellation are indeterminate.

b) Contingent liabilities: possible obligations arising from past events, whose future materialisation is subject to the occurrence, or not, of one or more future events that are outside of the control of the Company.

The Consolidated Financial Statements contain all the provisions regarding which the likelihood of having to meet the obligation is greater than the opposite. Contingent liabilities are not recognised in the Consolidated Financial Statements; instead, these are reported in the Notes of the consolidated report, insofar as they are not deemed to be remote.

Provisions are valued at the present value of the best possible estimate of the amount required to cancel or transfer the obligation, taking into account the information available on the event and its consequences, and recognising any adjustments to be made due to present valuing such provisions as a financial expense as this is accrued.

The consideration to be received from a third party when settling the obligation, provided there are no doubts as to receiving this amount, is recognised as an asset, except in the event that there is a legal reason for having outsourced part of the risk, for which the Parent Company is not held responsible; in this situation, the consideration shall be taken into account to estimate the amount, as the case may be, for the provision will be recognised.

At 31 December 2022, the Group has not made provisions and does not require breakdowns of contingent liabilities.

4.7 Leases

4.7.1 Operating lease (the Group is the lessor)

When investment property is leased under an operating lease, the asset is added to the consolidated balance sheet according to its nature. Income arising from leases is recognised on a straight line basis over the term of the lease.

The cost of acquisition of the leased asset is presented in the consolidated Balance Sheet according to its nature, along with any directly attributable costs of the contract, which are recognised as an expense over the term of the lease, applying the same criterion as that used for the recognition of lease income.

Any receipt or payment or incentive that may take place when entering into an operating lease shall be treated as a pre-receipt or pre-payment to be recognised in profit over the term of the lease, as the benefits of the leased asset are assigned or received.

4.8 Equity

The share capital is represented by ordinary shares.

Costs directly attributable to the issue of new shares or options are subtracted from the equity, with reduction of reserves.

When the Parent Company acquires treasury shares, the consideration paid, including any directly attributable incremental cost, is deducted from the equity attributable to the shareholders of the Parent Company until their cancellation, reissue or disposal. When these shares are sold or subsequently reissued, any amount received, net of any directly attributable incremental cost of the transaction and the pertaining effects of tax on profit, is included in equity attributable to the shares of the Parent Company.

4.9. Functional and presentation currency

The Consolidated Financial Statements are presented in thousands of euros, which is the Group's presentation and functional currency.

4.10. Related party transactions

The Group carries all its related party transactions on an arm's length basis. Related party transactions are generally recognised at the fair value of the consideration paid or received. The difference between this value and the agreed amount is recognised in accordance with the underlying economic item.

The prices of related party transactions are properly supported, and therefore the Board of Directors of the Group companies do not consider that there are any risks of generating significant tax liabilities.

4.11. Assets of an environmental nature

Assets of an environmental nature are those that are used in a lasting manner in the Company's activity, whose main purpose is the minimisation of the environmental impact and the protection and improvement of the environment, including the reduction or elimination of future contamination.

Given the nature of the Group's activity, it has no significant environmental impact.

4.12 Classification of balances between current and non-current

Assets and liabilities are presented in the consolidated Balance Sheet classified into current and non-current. To this end, assets and liabilities are classified as current when they are related to the normal operating cycle of the Group companies and are expected to be sold, consumed, realised or liquidated during the course thereof; they are different to the previous ones and its maturity, disposal or realisation is expected to take place within one year. They are held for trading or as cash and equivalents whose use is not restricted for a period of over one year.

4.13 Cash and equivalents

Cash and equivalents include the cash available and sight deposits in credit institutions, other short-term highly liquid investments with an original maturity of three months or less and bank overdrafts. In the Consolidated Balance Sheet, bank overdrafts are classified as third party funds in current liabilities.

4.14. Business combinations

Mergers, spin-offs and non-monetary contribution operations between group companies are recognised in accordance with what is set forth for related party transactions.

Any merger, spin-off and non-monetary operations other than those above and business combinations arising from the acquisition of the entire equity of a company or of a part thereof constituting one or more businesses, are recognised according to the acquisition method.

4.15. Cash Flow Statement

The following expressions with the following meanings are used in the consolidated cash flow statement, prepared according to the indirect method:

- Cash flows; inflows and outflows of cash and equivalents, understood as the alterations in value of short them high liquidity investments.

- Operating activities: activities typical of the company, along with other activities that cannot be classified as investment or financing.

- Investment activities: those involving the acquisition, sale or disposal by any other means of long-term assets and other investments not included in cash and equivalents.

- Financing activities: activities that cause changes in the size and composition of the consolidated equity and liabilities that do not form part of the operating activities.

4.16. Financial information by segment.

The information by segment is presented in accordance with the internal information provided to the Board of Directors of the Parent Company, responsible for allocating resources and assessing the performance of the operating segments, also responsible for making strategic decisions. The only segment of Group activity is that of residential lease, entirely within Spanish territory, which is why segmented information is not presented.

5. FINANCIAL RISK MANAGEMENT

5.1. Financial risk factors

The Group's activities are exposed to a number of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the uncertainty of the financial markets and seeks to minimise potential adverse effects thereof on its financial performance.

Risk management is controlled by the Group’s Treasury Department, responsible for identifying, assessing and hedging against financial risks in accordance with the policies approved by the Board of Directors of the Parent Company.

5.1.1. Market risk

Currency risk

The Group does not operate in currencies other than Euro, and is therefore not exposed to currency risk in its operations.

Price risk

The Group is exposed to real estate market risk in the sale of land, properties and developments and to the inflation risks inherent in the rental market, the latter being the Group's most important line of business. Price risk has been taken into consideration in the estimation of cash flows for the future year.

Interest rate risk in cash flows and fair value

Interest rate risk of the Group arises from financial debt. Borrowings at variable rates expose the Group to interest rate risk, in cash flows, partially offset by the cash held at variable risks. Borrowings at fixed interest rate expose the Group to risk of fair value.

5.1.2. Credit risk

The Group has no material credit risk, given that collection from its development customers is guaranteed by the asset transferred and cash placements are made with highly solvent institutions, in which there is no material counterparty risk.

5.1.3. Liquidity risk

A prudent management of liquidity risk implies keeping sufficient cash and negotiable instruments, having sufficient funding available through credit facilities on hand and having the capacity to close out market positions. Given the dynamic nature of the underlying business, the Treasury Department of the Group aims to maintain financing flexibility by having credit facilities in place.

The Board of Directors monitor the Group's forecast liquidity reserves (which includes available credit and cash and equivalents) according to expected cash flows.

Most receivables pertaining to customers for the lease of investment property. Monthly payments are made as of the start of the contract. It is usual practice for the Group to charge a penalty on amounts payable by customers in the event of default.

For the purpose of meeting credit requirements and as a preliminary step before acquiring any investment property, the company generally has bank and group loans. In such agreements, the company pays interest on such funding. In all cases the company assumes liability for the validity of the receivables.

The Board of Directors monitor the Group's forecast liquidity reserves (which includes available credit and cash and equivalents) according to expected cash flows.

5.1.4. Tax Risk

As mentioned in Note 1, the Parent Company and its subsidiary are subject to the special tax regime for Real Estate Investment Trusts (SOCIMI). As set forth in article 6 of Law 11/2009 of 26 October, modified by Law 16/2012 of 27 December, companies who have elected to qualify for this regime are obliged to pay out the profit earned in the year by way of dividends to its Sole Shareholder, once the pertaining mercantile obligations have been met, having to agree on the pay out within six months as of the close of each year and paid out within one month of the date on which the pay out was agreed.

In the event that the Sole Shareholder of such companies should not approve the dividend pay out proposed by the Board of Directors, calculated as set out in said law, they would not be complying with the law and would therefore have to pay tax under the general regime instead of the special SOCIMI tax regime.

5.2. Capital management

The goals of the Group when managing capital are to protect its capacity to continue as a going concern and thus generate profit for the Sole Shareholder as well as returns to other equity holders and maintain an optimal capital structure to reduce capital costs.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to be paid out to the Sole Shareholder, return capital, issue new shares or sell assets to reduce debt.

The Group monitors the capital in accordance with the following ratios:

- The Leverage Ratio, calculated as the financial debt divided by equity. The debt is calculated as total debt held with both financial entities and related parties.
- The ratio between net treasury and equity is also determined.

	Balance at 31/12/2022
Related party debt	(53,436)
Debt with credit institutions	(65,409)
Financial debt	**(118,845)**
Net treasury position	**(117,699)**
Net equity	**50,022**
% Debt/Equity	**238%**
% Net treasury position/Equity	**235%**

Both ratios falls within the ranges that the Directors of the Parent Company consider to be acceptable. The financial debt corresponds to a bank loan maturing in 2027 and a loan with group companies maturing in 2032.

6. INVESTMENT PROPERTY

The movement that has taken place over the period ending on 31 December 2022 in the items comprising investment property is as follows (in thousands of Euros):

	Additions / Transfers 2022	**Balance on 31/12/2022**
Cost		
Land	101,156	101,156
Buildings	66,137	66,137
Total cost	**167,293**	**167,293**
Accumulated depreciation		
Buildings	(811)	(811)
Total accumulated depreciation	**(811)**	**(811)**
Accumulated impairment	**(3,487)**	**(3,487)**
Total accumulated impairment	**(3,487)**	**(3,487)**
Net carrying value	**162,995**	**162,995**

All of the assets qualified as investment property consist of the following properties:

- Boadilla: located in Calle Junta de Castilla y León 8, in Boadilla del Monte. Acquired on 8 April 2022 for Euros 32,710 thousand.

- Majadahonda: located in Calle Doctor Pérez Gallardo 1, 3, 5, 7, in Majadahonda. Acquired on 8 April 2022 for Euros 22,890 thousand.

- Hispanidad: located in Calle Galeón 2, Hispanidad, Madrid. Acquired on 8 April 2022 for Euros 24,620 thousand.

- Sanchinarro: located in Avenida Francisco Pi y Margall 17-47, Sanchinarro, Madrid. Acquired on 8 April 2022 for Euros 65,670 thousand.

- San Sebastián de los Reyes: located in Calle Beatriz Galindo 6 & 9, San Sebastián de los Reyes. Acquired on 8 April 2022 for Euros 19,643 thousand.

In addition, during the period ending on 31 December 2022, a series of expenses related to assets amounting to Euros 1,760 thousand have been recognised as investment property.

Investment property is leased to third parties via operating leases. The income arising from such leases at 31 December 2022 amounted to Euros 4,622 thousand and are recognised under the heading "Net business turnover" in the attached consolidated Income Statement. Furthermore, income ancillary to rental of Euros 251 thousand has been recognised.

a) Investment property located abroad

At 31 December 2022 the Group has no investment property located abroad.

b) Fully amortised assets

At 31 December 2022 the Group does not have fully amortised investment property items.

c) Insurance

The Group's policy is to take out all insurance policies deemed necessary to cover against potential risks that might affect the investment properties.

d) Impairment loss

In reference to Valuation Standard number 2 of the General Chart of Accounts and Resolution of 18 September 2013, of the Spanish Accounting and Accounts Auditing Institute, the Group, at least at the close of each period, reviews the fair value, useful live and valuation methods of the property it owns.

When the market value or an asset or any other item is lower than the amortised value, value corrections are carried out, with the pertaining provision for impairment being made.

"Market Value" is defined as the estimated amount at which an asset can be exchanged on the valuation date between a seller and a buyer by mutual agreement, after a reasonable sale period, where both parties have acted with knowledge, prudence and with no coercion whatsoever, minus the costs of the transaction.

The Group entrusts the determination of the value of all its investment property at the close of the period to independent experts, Jones Lang Lasalle, JLL. These valuations are carried out in accordance with the Professional Valuation Standards 2017 issued by the Royal Institution of Chartered Surveyors (RICS) in July 2018 in "The Red Book".

In order to calculate the value of investment property, the amount that the Group expects to recover via leasing is taken into consideration. To this end, a ten year discount on the cash flow projections generated on the best estimate of lease payments is used, based on the outlook for each asset and taking into account any uncertainty that might cause a reduction in cash flow or the discount rate and the capitalisation at year eleven with an exit yield, applying an Internal Rate of Return (IRR) for the discount of cash flows obtained.

The estimated yields and discount rates depend on the type and age of the building and its location. Properties have been valued individually, considering each of the foreseeable lease agreements, based on current market rentals in different areas, backed by comparables and transactions carried out for its calculation.

The value in use of real estate need not be identical to its fair value insofar as the former is due to specific factors of the entity, mainly the capacity to set prices above or below market levels due to assuming various risks or reducing costs of construction or sale, in investment property in progress; reforms, maintenance, etc. other than those connected with the companies in the sector in general.

The estimated yields depend on the type and age of the building and its location. The main assumptions used by the expert appraiser in the last valuation carried out prior to the date of preparation of these Financial Statements correspond to:

31/12/2022	Exit Yield / Capitalisation rate	Discount Rate	Net Initial Yield	Gross Initial Yield	Rev. Yield	Valuation in thousands of Euros
Sanchinarro	3.25%	4.85%	3.17%	4.09%	3.82%	€64,300
Hispanidad	3.35%	4.95%	3.18%	4.46%	4.23%	€23,810
San Sebastián	3.50%	5.10%	3.66%	4.70%	4.34%	€20,550
Boadilla	3.25%	4.85%	3.28%	4.40%	4.18%	€31,940
Majadahonda	3.35%	4.95%	3.32%	4.28%	4.02%	€23,370
Valuation method	Discounted cash flow					

As a result of this recoverability analysis, an impairment loss of Euros 3,487 thousand has been recorded for the value of the properties. The impairment corresponds to the company's properties in Sanchinarro, Hispanidad and Boadilla.

7. LEASES

At 31 December 2022 the Group has agreed with tenants the following minimal operating lease payments, in accordance with current contracts in force, without taking into consideration common expenses, future CPI increments or future reviews of contractually agreed rentals (in thousands of Euros):

	Thousands of Euros
Up to one year	7,096
Between one and five years	30,582
Over five years	16,702

The income estimate is based on the income estimates provided by the lessee, since 100% of the Group's income figure is derived from the income obtained by the operators of the properties (Boadilla, Majadahonda, Hispanidad, Sanchinarro and San Sebastián de los Reyes). This income is linked to variables such as rental income from housing, garages and commercial premises.
As a lessor, at 31 December 2022 the Group has an operating lease agreement for the properties included under Investment Property (Note 6).

At 31 December 2022, the income statement has recognised the following income from rentals of investment property (in thousands of Euros)

Euros	31/12/2022
Sanchinarro	1,747
Hispanidad	672
San Sebastián	632
Boadilla	915
Majadahonda	656
Total	**4,622**

At 31 December 2022, the consolidated income statement has recognised the following tax from rentals of investment property (in thousands of Euros):

Euros	31/12/2022
Sanchinarro	(87)
Hispanidad	(45)
San Sebastián	(32)
Boadilla	(50)
Majadahonda	(29)
Total	**(243)**

8. FINANCIAL ASSETS

a) Analysis by category

The carrying value of each of the categories of financial assets established in the recognition and measurement standards for "Financial Instruments" in thousands of Euros is as follows:

Categories	Class				Total
	Long-term financial instruments		Short-term financial instruments		
	Equity instruments	Credits and other	Equity instruments	Credits and other	
	31/12/2022	31/12/2022	31/12/2022	31/12/2022	
Financial assets at fair value	-	5,813	-	-	5,813
Financial assets at amortised cost	-	439	-	747	1,186
TOTAL FINANCIAL ASSETS	**-**	**6,252**	**-**	**747**	**6,999**

b) Analysis by maturity

At 31 December 2022, the amounts of financial assets with a determined or determinable maturity classified by year of maturity, in thousands of Euros, are as follows:

	Financial assets						
	2023	2024	2025	2026	2027	Subsequent years	Total
Financial investments							
Derivatives	-	-	-	-	-	5,813	5,813
Other financial assets	17	-	-	-	-	439	456
Trade receivables							
Other receivables	730	-	-	-	-	-	730
TOTAL FINANCIAL ASSETS	**747**	**-**	**-**	**-**	**-**	**6,252**	**6,999**

c) Breakdown of financial assets

The breakdown of financial assets at 31 December 2022, in thousands of Euros, is as follows:

	31/12/2022
Non-current	
Financial investments	
Derivatives	5,813
Other financial assets	439
Current	
Trade receivables	
Other receivables	730
Financial investments	
Other financial assets	17
TOTAL NON-CURRENT	**6,252**
TOTAL CURRENT	**747**
TOTAL FINANCIAL ASSETS	**6,999**

d) Derivatives

On 8 April 2022, the Group acquired a derivative to hedge the interest rate of the debt with financial institutions, as follows:

Thousands of Euros	CAP
Institution	Credit Agricole Corporate & Investment Bank
Notional amount	66,213
Transaction date	08/04/2022
Effective date	08/04/2022
Expiration date	08/04/2027
Fixed interest rate	1%
Payment schedule	Quarterly

During the period ended 31 December 2022, the fair value of the abovementioned hedge instrument remained stable at Euros 5,813 thousand, thus not having any impact on the Net Equity of the Group or a tax effect that might result in an increase or reduction in the Corporate Income Tax calculation.

9. CASH AND EQUIVALENTS

The composition of the heading "Cash and equivalents" at 31 December 2022 is as follows(in thousands of Euros):

Thousands of Euros	31/12/2022
Treasury	1,146
Total	**1,146**

The Group has current accounts with financial institutions of recognised solvency like Banco Santander and Crèdit Agricole and there are no drawdown limits thereon.

10. FINANCIAL LIABILITIES

a) Analysis by category

The carrying value of each of the categories of financial liabilities established in the recognition and measurement standards for "Financial Instruments" in thousands of Euros is as follows:

Categories	Class						Total
	Long-term financial instruments			Short-term financial instruments			
	Debt with credit institutions	Related party debt	Derivatives and Other	Debt with credit institutions	Related party debt	Derivatives and Other	
	31/12/2022	31/12/2022	31/12/2022	31/12/2022	31/12/2022	31/12/2022	
Financial liabilities at amortised cost	65,409	52,945	837	-	491	1,379	121,061
TOTAL FINANCIAL LIABILITIES	**65,409**	**52,945**	**837**	**-**	**491**	**1,379**	**121,061**

b) Analysis by maturity

At 31 December 2022, the amounts of financial liabilities with a determined or determinable maturity classified by year of maturity, in thousands of Euros, are as follows:

	Financial Liabilities						
	2023	2024	2025	2026	2027	Subsequent years	Total
Financial debt							-
Debt with credit institutions	-	-	-	-	65,409	-	65,409
Other financial liabilities	-	-	-	-	-	837	837
Debt with group companies	491	-	-	-	-	52,945	53,436
Trade creditors							-
Miscellaneous creditors	1,365	-	-	-	-	-	1,365
Customer prepayments	14	-	-	-	-	-	14
TOTAL FINANCIAL LIABILITIES	**1,870**	**-**	**-**	**-**	**65,409**	**53,782**	**121,061**

c) Breakdown of financial liabilities

The breakdown of financial liabilities at 31 December 2022, in thousands of Euros, is as follows:

	31/12/2022
Non-current	
Long-term debts	
Debt with credit institutions	65,409
Other financial liabilities	837
Debts with group companies and associates	
Long-term debts with group	52,945
TOTAL NON-CURRENT LIABILITIES	119,191
Current	
Short-term debts	
Debt with credit institutions	-
Debts with group companies and associates	
Short-term debts with group	491
Trade creditors	
Miscellaneous creditors	1,365
Customer prepayments	14
TOTAL CURRENT LIABILITIES	1,870
TOTAL FINANCIAL LIABILITIES	**121,061**

The heading "Long-Term debt with credit institutions" includes a bank loan from the institution CRÉDIT AGRICOLE

CORPORATE AND INVESTMENT BANK dated 12 April 2022, maturing in 2027 at an interest rate of 1.1% + EURIBOR, amounting to Euros 66,213 thousand and an arrangement fee of Euros 366 thousand. This debt is protected by a hedge instrument (CAP) at 1% for a term of 5 years since its acquisition (Note 8).

The heading "Long-term debts with group companies and associates" shows a loan with the group company AREF Holdings, S.C.A. granted on 4 April 2022, for a term of 2032 years and an interest rate of 3.66% for a total amount of Euros 55,000 thousand, of which only Euros 52,945 thousand have been drawn down.

The heading "Short-term debts with group companies and associates" contains the accrual of interest payable on the loan with the group company AREF Holdings, S.C.A. amounting to Euros 491 thousand.

The carrying value of the short and long-term debts does not differ from its fair value, since the discount effect is not significant.

The Group has no debts with guarantees *in rem*.

11. SHAREHOLDERS' EQUITY

a) Share capital and issue premium

The Parent Company was incorporated on 27 January 2022 with a share capital of Euros 60 thousand, divided into 60,000 indivisible and cumulative shares each of 1 Euro of nominal value, consecutively numbered 1 to 60,000, both included.

On 21 March 2022, the Shareholders TMF Sociedad de Participación, S.L. and TMF Participations Holdings (Spain), S.L. sold 100% of their shares to AREF Holding, S.C.A.

On 5 April 2022, the Sole Shareholder carried out a capital increase amounting to Euros 5,000 thousand, divided into 5,000,000 indivisible and cumulative shares, each of a nominal value of 1 Euro, consecutively numbered 60,001 to 5,060,000, both included, and the issue premium amounted to Euros 46,068 thousand, equal to Euros 9.2135773 per every new share issued.

This means that, on 31 December 2022, the share capital of the Parent Company amounted to Euros 5,060 thousand, represented by 5,060,000 shares each of a nominal value of Euro 1, all of the same class, fully subscribed, paid up and admitted to trading.

b) Legal reserve

In accordance with the Capital Companies Law, a public limited company must earmark an amount equal to 10% of the year's profit for legal reserve until this reaches, at least, 20% of the share capital. The legal reserve can only be used to increase the share capital and, except for the purpose mentioned above, this reserve may only be used to offset losses when there are no other unrestricted reserves that suffice for this purpose.

In accordance with Law 11/2009 regulating real estate investment trusts (SOCIMI), the legal reserve for companies opting for the application of the special tax regime set forth in this law may not exceed 20% of the share capital. The company bylaws cannot establish any restricted reserve other than the one mentioned above.

At 31 December 2022 the Group’s legal reserve has not been created.

c) Voluntary reserves

In accordance with the General Chart of Accounts, the incorporation and capital increase costs of the Group are recognised in the voluntary reserve account net of taxes.

At 31 December 2022, the amount of these negative reserves is Euros 1 thousand.

12. TAX SITUATION

a) Current balances with Public Administrations

The composition of the current balances with Public Administrations at 31 December 2022 is as follows:

Credit balances

Thousands of Euros	31/12/2022
Public Treasury – withholdings payable	48
Public Treasury – VAT	9
Total	**57**

Reconciliation of carrying result and taxable base

Having met the requirements set forth in Law 11/2009, modified by Law 16/2012, the Group has opted to qualify for the special SOCIMI tax regime, paying corporate income tax at a rate of 0% (Note 4.4).

The reconciliation between the net income and expenses in the period and the Tax on Profit taxable base at 31 December 2022 is as follows (in thousands of Euros):

	Consolidated income statement
Income and expenses for the period	**(4,316)**
Corporate Income Tax	-
Income and expenses for the year before Corporate Income Tax	**(4,316)**
Temporary differences	4,876
Permanent differences	-
Taxable base (tax result)	**560**
Tax payable (0%)	**-**
Taxable base deductions	-
Withholdings and payments on account	-
Corporate Income tax payable/receivable to Public Treasury	**-**

The most relevant amounts of the temporary differences generated in 2022 correspond to the impairment related to the valuation adjustment of the subsidiary's investment property amounting to Euros 3,487 thousand and the adjustment for the deductibility of financial expenses amounting to Euros 1,389 thousand.

Financial years pending verification and inspections performed

According to the legal provisions in force, the payment of taxes cannot be considered definitive until inspected by tax authorities or once the statute of limitations, currently set at four years, has elapsed.
As a consequence, among others, of the different potential interpretations of the current tax legislation in force, additional liabilities as a result of an inspection might arise. In any event, the Board of Directors of the Parent Company consider that such liabilities, should they arise, would not significantly affect the Consolidated Financial Statements.

As a consequence of the Companies having been incorporated during financial year 2022, at 30 April it has no inspections outstanding.

Reporting requirements due to SOCIMI status, Law 11/2009

On 29 March 2022, the Board of Directors, acting in the name and behalf of the Parent Company, agreed to apply for the SOCIMI legal and tax regime, through a public deed executed by a notary. On 5 April 2022 the AEAT (Spanish Tax Authority) was informed of its qualification under such a regime.

The information required by the legislation in force is included in the Schedules attached to this notes to the financial statements of which it forms part.

13. INCOME AND EXPENSES

a) Net business turnover and other operating income:

The breakdown of the business turnover and other operating income recognised in the Consolidated Income Statement at 31 December 2022, in thousands of Euros, is as follows:

Thousands of Euros	31/12/2022
Net business turnover	4,622
Other operating income	251
Total	**4,873**

The Group has an operating lease agreement for the buildings included in the heading of Investment Property (Note 6) for which it has received rental income in 2022 amounting to Euros 4,622, as well as Euros 251 thousand from income ancillary to the rental of Investment Property. The total net business turnover of financial year 2022 has been generated in national territory.

b) Other operating expenses

The breakdown of "Other operating expenses" recognised in the Consolidated Income Statement at 31 December 2022, in thousands of Euros, is as follows:

Thousands of Euros	31/12/2022
Professional services	(2,259)
Taxes and other duties	(243)
Total	**(2,502)**

c) Investment property amortisation

The breakdown of amortisation expenses recognised in the Consolidated Income Statement at 31 December 2022, in thousands of Euros, is as follows

Thousands of Euros	31/12/2022
Investment property amortisation - Boadilla	(156)
Investment property amortisation – Majadahonda	(99)
Investment property amortisation – Hispanidad	(133)
Investment property amortisation – Sanchinarro	(321)
Investment property amortisation – San Sebastián de los Reyes	(102)
Total	**(811)**

d) Financial profit

The financial profit or loss for the years ended 31 December 2022 is broken down as follows:

Thousands of Euros	31/12/2022
Interest accrued from related parties (Note 10)	(945)
Interest accrued from related parties (Notes 10 and 14)	(1,444)
Total	**(2,389)**

At 31 December 2022, the heading "Financial Expenses" in the consolidated income statement amounts to a total of Euros 2,389 thousand, which all pertain to the interest accrued by the Sole Shareholder loan and the bank loan.

14. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties with whom the Group has carried out transactions during the period from 21 January 2022 to 31 December 2022, as well as the nature of the relationship, is as follows:

Related party	Nature of relationship
AREF Holdings, S.C.A.	Sole Shareholder

a) Related party transactions

During the period ended on 31 December 2022, financial interest from the loan granted by the Sole Shareholder of the Parent Company has been accrued in the amount of Euros 146 thousand, recognised in the heading "Financial Expenses" of the attached consolidated income statement.

In addition, there are no debts with related parties that are additional to the abovementioned financial expenses.

b) Related party balances

In the heading "Long-term debt with group companies" (Note 10) the Group recognises a loan received for the acquisition of buildings shown in the Investment Property heading (Note 6) for an amount of Euros 52,945 thousand granted by the Sole Shareholder on 4 April 2022 and for a term of 10 years and a rate of 3.66%.

Under the heading “Short-term debts with group companies” (Note 10) the Group recognises accrued and unpaid financial interest from the loan received by AREF Holding, S.C.A. for a total of Euros 491 thousand.

15. INFORMATION ON AVERAGE PAYMENT PERIOD TO SUPPLIERS

The information required by the Second Final Provision of Spanish Law 31/2014 of 3 December, which has been prepared by applying the Resolution of the Spanish Accounting and Accounts Auditing Institute dated 29 January 2016, is set out below.

	2022
	Days
Average supplier payment period	2.06
Ratio of transactions settled	1.30
Ratio of transactions pending payment	158.90
	Amount (thousands of Euros)
Total payments made	168,749
Total payments outstanding	825

Pursuant to the new regulations required by Article 9 of Law 18/2022 of 28 September, in addition to the above information, the following information is provided:

Number (units)	2022
Invoices paid before complying with the legal deadline for payment to suppliers	182
Percentage of total invoices from suppliers	6.80%

Volume (thousands of Euros)	2022
Invoices paid before complying with the legal deadline for payment to suppliers	167,999
Percentage of total invoices from suppliers	99.07%

The “Average supplier payment period” means the period from the date of the invoice to the material payment of the transaction as defined in the Resolution of the Spanish Accounting and Accounts Auditing Institute stated above.

The ratio of transactions paid is calculated as the coefficient formed in the numerator by the sum of products corresponding to the amounts paid, the number of payment days (calendar days from the beginning of the calculation of the period until the material payment of the transaction) and, in the denominator, the total amount of payments made.

Said “Average supplier payment period” is calculated as the coefficient formed in the numerator by the sum of the ratio of paid transactions by the total amount of payments made plus the ratio of transactions pending payment by the total amount of payments pending and, in the denominator, by the total amount of payments made and the total amount of payments pending.

Similarly, the ratio of transactions outstanding corresponds to the coefficient formulated in the numerator by the sum of the products corresponding to the amounts outstanding, by the number of days outstanding (calendar days from the start of the period to the last day of the period to which the financial statements refer) and, in the denominator, the total amount of payments outstanding.

Pursuant to the provisions of article three of the Resolution of the Spanish Accounting and Accounts Auditing Institute dated 29 January 2016, the amount of transactions accrued prior to the entry into force of Law 31/2014 of 3 December has not been taken into account.

The maximum legal payment period applicable to the Company according to Law 11/2013 of 26 July is 30 days, barring an agreement between the parties with a maximum period of 60 days.

16. ADMINISTRATION BODY AND SENIOR MANAGEMENT

a) Board of Directors’ and Senior Management’s remuneration

During the period ended on 31 December 2022, the Group has not accrued any amount whatsoever for remuneration payable to the Board of Directors or the Parent Company by way of salaries, per diems or any other kind of remuneration, all in accordance with what is expressly set forth in the Company bylaws and the legislation in force.

The Directors of the Parent Company, during the period ended on 31 December 2022, have not earned any remuneration by way of salaries, per diems or any other kind, as well as no advances or loans, pension plans, life insurance or civil liability insurance.

The Companies have no workforce, so the Senior Management functions are performed by the Directors.

b) Information regarding situations of conflict of interest involving the Board of Directors

With a view to avoiding situations of conflict with the interests of the Company, throughout the year, the Board of Directors who have held positions on the Administrative Body have fulfilled the obligations set forth in Article 228 of the revised text of the Capital Companies Law, on the duty of information of the directors. Similarly, both the Board of Directors and the persons related to them have refrained from entering into situations of conflict of interest set out in article 229 and 231 of that Law, except in the cases for which the corresponding authorisation had been obtained.

17. OTHER INFORMATION

Information on the environment

At 31 December 2022 there are no assets devoted to the protection and improvement of the environment, and no relevant expenses of this nature have been incurred during the period.

Furthermore, no subsidies of an environmental nature have been received during the period.

The Directors of the Parent Company believe there are no significant contingencies related to the protection and improvement of the environment, thus not deeming it necessary to make any provision for risks or expenses of an environmental nature at 31 December 2022.

Auditors' fees

The remuneration received by PricewaterhouseCoopers Auditores, S.L. for auditing and other verification services in the current period amounts to Euros 53.5 thousand.

	31/12/2022
Auditing services	53.5
Other mandatory compliance services	
Tax services	-
Other services required by the law	-
Other services	20
Final balance	**74.5**

18. SUBSEQUENT EVENTS

There are no other subsequent events that have a material impact on these Consolidated Financial Statements.

SCHEDULE I: INFORMATION ON AREF THALASSA SOCIMI, S.A. (UNIPERSONAL COMPANY) AND ITS SUBSIDIARIES

Description	31/12/2022
1) Reserves from years prior to the application of the tax regime set forth in Law 11/2009, modified by Law 16/2012 of 27 December.	Not applicable
2) Reserves of every financial year to which the special tax regime established in that law has been of application.	Not applicable
a) Profit from income subject to general tax rate.	Not applicable
b) Profit from income subject to 19% tax rate.	Not applicable
c) Profit from income subject to 0% tax rate.	Not applicable
3) Dividends paid out from profits in each year in which the special tax regime established in that law has been of application.	Not applicable
a) Dividends from income subject to general tax rate.	Not applicable
b) Dividends from income subject to the 18% 2009 tax rate and that of 19% 2010 to 2012.	Not applicable
c) Dividends from income subject to 0% tax rate.	Not applicable
4) Dividends paid out from reserves.	Not applicable
a) Dividends paid out from reserves subject to the general tax rate.	Not applicable
b) Dividends paid from reserves subject to the 19% tax rate.	Not applicable
c) Dividends paid from reserves subject to the 0% tax rate.	Not applicable
5) Date of agreement of payment of dividends to which letters a, b and c above refer.	Not applicable
6) Date of acquisition of the buildings to be leased that generate the income subject to this special regime	Schedule II:
7) Date of shares in the capital of companies referred to in paragraph 1 of article 2 of this Law	Not applicable
8) Identification of assets included within the 80% referred to in paragraph 1 of article 3 of this Law.	Schedule II:
9) Reserves from years in which the special tax regime established in this law has been of application, that have been used during the tax period for purposes other than pay out or offset of losses. The year to which such reserves pertain must be identified.	Not applicable

SCHEDULE II: IDENTIFICATION OF ASSETS OWNED BY AREF THALASSA SOCIMI, S.A. (SOCIEDAD UNIPERSONAL) AND ITS SUBSIDIARIES

Assets	Location	Date of acquisition
Boadilla	Calle Junta de Castilla y León 8, 28660, Boadilla del Monte, Madrid, Spain	08/04/2022
Majadahonda	Calle Doctor Pérez Gallardo 1, 3, 5 & 7, 28222, Majadahonda, Madrid, Spain	08/04/2022
Hispanidad	Calle Galeón 2, 28042, Hispanidad, Madrid, Spain	08/04/2022
Sanchinarro	Avenida Francisco Pi y Margall 17-47, 28050, Sanchinarro, Madrid, Spain	08/04/2022
San Sebastián de los Reyes	Calle Beatriz Galindo 6 y 9, 28702, San Sebastián de los Reyes, Madrid, Spain	08/04/2022

CONSOLIDATED MANAGEMENT REPORT CORRESPONDING TO THE YEAR BETWEEN 27 JANUARY 2022 AND 31 DECEMBER 2022

(In thousands of Euros)

1. True and fair image of the business and main activities

AREF Thalassa Socimi, S.A. (Unipersonal Company) and its subsidiaries, hereinafter, "the Group", form a consolidated Group whose main activity is the management of real estate assets through the rental of residential buildings it owns in Madrid.

No significant changes in the activity of the Group companies have taken place during the period from 27 January 2022 to 31 December 2022.

As for the future outlook for the Group, its strategy is to continue to take positions in the Spanish market, taking advantage of the opportunities that might arise in order to diversify investments, adding more liquidity and profitability to the consolidated equity and increasing its portfolio value, improving and ensuring the occupancy rate of its buildings (curbing unoccupancy, negotiating with tenants instead of renewing their lease agreements), and carrying out any works required to keep assets in good condition.

The Group will also examine potential opportunities offered by the investment market in order to sell mature assets as part of asset management.

The Group is made up of AREF Thalassa Socimi, S.A. (Unipersonal Company) as the Group's Parent Company, and AREF Théthys, S.L. (Unipersonal Company) as the subsidiary.

The consolidation has been performed by applying the global integration method to the subsidiary.

2. Financial figures

The Consolidated Financial Statements at 31 December 2022 of AREF Thalassa Socimi, S.A. (Unipersonal Company) and its subsidiaries have been prepared by the Directors in accordance with the regulatory framework of financial reporting applicable to the Group, as set forth in:

a) General Chart of Accounts approved by Royal Decree 1514/2007 and amendments added thereto by Royal Decree 1159/2010, Royal Decree 602/2016 and Royal Decree 1/2021, as well as sectorial adaptations thereof for real estate companies.

b) The mandatory rules approved by the Spanish Accounting and Account Auditing Institute implementing the General Chart of Accounts and supplementary rules.

c) Law 11/2009, of 26 October, modified by Law 16/2012, of 27 December, regulating Real Estate Investment Trusts (SOCIMI) in relation to the obligatory information to report in this consolidated report.

d) The remaining Spanish accounting regulations of application.

During the period from 27 January 2022 to 31 December 2022, the income of the consolidated Group has been of Euros 4,873 thousand.

The consolidated operating loss during the period is Euros 1,927 thousand.

3. Research and development

Given the Group's business activity, there is and has not been any expense incurred in research and development projects.

4. Acquisition of treasury shares

The Group companies do not hold treasury shares, having had no transactions regarding such shares during the period from 27 January 2022 and 31 December 2022.

5. Financial risk management

The Group's activities are exposed to a number of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk.

The Group's overall risk management programme focuses on the uncertainty of the financial markets and seeks to minimise potential adverse effects thereof on its financial performance.

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Risk management is controlled by the Board of Directors of the Parent Company, responsible for identifying, assessing and hedging against financial risks in accordance with the policies approved by the Board of Directors of the Parent Company.

The Board of Directors of the Parent Company provides global risk management policies, as well as policies for specific areas such as currency risk, interest rate risk, credit risk and liquidity risk and investment of excess liquidity.

As for market risk, the Group does not operate in currencies other than Euro, and is therefore not exposed to currency risk in its operations.

Interest rate risk of the Group arises from financial debt. Borrowings at variable rates expose the Group to interest rate risk, in cash flows, partially offset by the cash held at variable risks. Borrowings at fixed interest rate expose the Group to risk of fair value.

Credit risk is mainly attributable to lease debts, and is considered to be low by the Board of Directors of the Parent Company, since rentals are usually paid in advance and are covered by guarantees or sureties requested from the tenants.

A prudent management of liquidity risk implies keeping sufficient cash and negotiable instruments, having sufficient funding available through credit facilities on hand and having the capacity to close out market positions. Given the dynamic nature of the underlying business, the Treasury Department of the Group aims to maintain financing flexibility by having credit facilities in place.

The Directors monitor the Group's forecast liquidity reserves (which includes available credit and cash and equivalents) according to expected cash flows.

Most receivables pertaining to customers for the lease of investment property. Monthly payments are made as of the start of the contract. It is usual practice for the Group to charge a penalty on amounts payable by customers in the event of default.

For the purpose of meeting credit requirements and as a preliminary step before acquiring any investment property, the Group generally has bank and group loans. In such agreements, the Group pays interest on such funding. In all cases the Group assumes liability for the validity of the receivables.

As for interest rate risk, the debt held by the Group with credit institutions exposes it to interest rate fluctuations, the impact of which can be mitigated via the use of hedge derivatives. The Board of Directors of the Parent Company is responsible for managing this risk, using non-speculative hedge criteria.

As for tax risk, the Parent Company and its subsidiaries are subject to the special tax regime for Real Estate Investment Trusts (SOCIMI). As set forth in article 6 of Law 11/2009 of 26 October, modified by Law 16/2012 of 27 December, companies who have elected to qualify for this regime are obliged to pay out the profit earned in the year by way of dividends to its Sole Shareholder, once the pertaining mercantile obligations have been met, having to agree on the pay out within six months as of the close of each year and paid out within one month of the date on which the pay out was agreed.
In the event that the Sole Shareholder of such companies should not approve the dividend pay out proposed by the Board of Directors, calculated as set out in said law, they would not be complying with the law and would therefore have to pay tax under the general regime instead of the special SOCIMI tax regime.

6. Personnel

During the period from 27 January 2022 to 31 December 2022, none of the Group companies has had employees, and no expense whatsoever has been accrued in this regard.

(In thousands of Euros)

7. Information on the environment

The activity carried out by the Group companies is not harmful for the environment. For this reason, the Group has no liabilities, expenses, provisions or contingencies of an environmental nature that may be of significance with regard to the consolidated equity, financial situation or consolidated income of the Group.

For this reason, no specific breakdowns are included in this notes to the consolidated interim financial statements on environmental matters.

8. Payment to suppliers

Pursuant to the Resolution of 29 January 2016 of the Spanish Accounting and Accounts Auditing Institute on information to be included in the notes to the financial statements in relation to the average supplier payment period for commercial transactions, the Group provides the following information:

	2022
	Days
Average supplier payment period	2.06
Ratio of transactions settled	1.30
Ratio of transactions pending payment	158.90
	Amount (thousands of Euros)
Total payments made	168,749
Total payments outstanding	825

9. Invasion of the Ukraine

On 24 February 2022 the Russian army began its invasion of the Ukraine.

At this date, the Directors of the Parent Company have carried out a preliminary evaluation based on the best possible estimation, having concluded that its effects, both on the evolution of demand and on the prices of the various consumptions, will not be significant and will largely depend on the evolution of the conflict, including the potential direct involvement of third countries.

10. Subsequent events

There are no subsequent events that have a significant impact on these Consolidated Interim Financial Statements.

PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED MANAGEMENT REPORT CORRESPONDING TO THE PERIOD BETWEEN 27 JANUARY 2022 AND 31 DECEMBER 2022

The Board of Directors of the Parent Company has prepared the Consolidated Financial Statements of AREF Thalassa SOCIMI, S.A. (Unipersonal Company) and its subsidiaries and the consolidated Management Report corresponding to the period from 27 January 2022 to 31 December 2022, which comprise the documents attached hereto.

These documents are:

- Consolidated balance sheet at 31 December 2022.
- Consolidated Income Statement corresponding to the year between 27 January 2022 and 31 December 2022.
- Consolidated Statement of Changes in Equity corresponding to the period between 27 January 2022 and 31 December 2022.
- Consolidated Cash Flow Statement corresponding to the period between 27 January 2022 and 31 December 2022.
- Notes to the consolidated interim financial statements corresponding to the period between 27 January 2022 and 31 December 2022
- Consolidated management report corresponding to the period between 27 January 2022 and 31 December 2022.

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Mr Eduardo Herranz Rodríguez
Director Secretary

I, as Secretary of AREF Thalassa SOCIMI, S.A. (Unipersonal Company) hereby state that, following the preparation by the Board of Directors, in the meeting held on XX XX 2023, of the Consolidated Financial Statements of AREF Thalassa SOCIMI, S.A. (Unipersonal Company) and its subsidiaries, for the period between 27 January 2022 and 31 December 2022, all of the Directors have signed this document on the last page, as hereby attested in Madrid (Spain) on XX XX 2023.

PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED MANAGEMENT REPORT CORRESPONDING TO THE PERIOD BETWEEN 27 JANUARY 2022 AND 31 DECEMBER 2022

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Mr Germán Fernández – Montenegro Klindworth
Chairman of the Board

I, as Secretary of AREF Thalassa SOCIMI, S.A. (Unipersonal Company) hereby state that, following the preparation by the Board of Directors, in the meeting held on XX XX 2023, of the Consolidated Financial Statements of AREF Thalassa SOCIMI, S.A. (Unipersonal Company) and its subsidiaries, for the period between 27 January 2022 and 31 December 2022, all of the Directors have signed this document on the last page, as hereby attested in Madrid (Spain) on XX XX 2023.

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- Consolidated management report corresponding to the period between 27 January 2022 and 31 December 2022.

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Mr Antoine André Hervé Aubry
Director

I, as Secretary of AREF Thalassa SOCIMI, S.A. (Unipersonal Company) hereby state that, following the preparation by the Board of Directors, in the meeting held on XX XX 2023, of the Consolidated Financial Statements of AREF Thalassa SOCIMI, S.A. (Unipersonal Company) and its subsidiaries, for the period between 27 January 2022 and 31 December 2022, all of the Directors have signed this document on the last page, as hereby attested in Madrid (Spain) on XX XX 2023.