PEÑALARA DIRECTORSHIP, S.A. Y SOCIEDADES DEPENDIENTES

CONSOLIDATED INTERIM FINANCIAL STATEMENS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2020 AND INDEPENDANT REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS

BDO

PEÑALARA DIRECTORSHIP, S.A. (Sociedades Dependientes)

Consolidated Interim Financial Statemens For The Six Month period ended 30 September 2020

REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENS ISSUED BY AN INDEPENDENT AUDITOR

CONSOLIDATED INTERIM FINANCIAL STATEMENS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2020

- Consolidated statement of financial situation at 30 September 2020
- Consolidated Income statement of corresponding to the period of 6 months ended 30th September 2020
- Consolidated statement of Comprehensive Income to the period of 6 months ended 30th September 2020
- Consolidated statement of Changes in consolidated net equity to the period of 6 months ended 30th September 2020
- Consolidated Cash Flow statement to the period of 6 months ended 30th September 2020

- Notes to the consolidated financial statements

PEÑALARA DIRECTORSHIP, S.A. (Sociedades Dependientes)

Report on Review of Consolidated Interim Financial Statemens issued by an Independent Auditor

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España

Independent limited review report on the interim consolidated financial statements

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.

To the Sole Shareholder of **Peñalara Directorship, S.A.U.** as requested by the sole director:

Report on the interim consolidated financial statements

Introduction

We have performed a limited review of the attached interim consolidated financial statements for **Peñalara Directorship, S.A.U.** (the Parent Company) and subsidiaries (the Group), comprising the interim consolidated statement of financial situation at 30 September 2020, the interim consolidated income statement, the interim consolidated statement of changes in consolidated net equity, the interim consolidated cash flow statement and the notes on the interim consolidated financial statements corresponding to the period of six months ended 30 September 2020. The sole director is responsible for drawing up the accompanying interim consolidated financial statements so as to give a true and fair view of the consolidated net worth, consolidated financial situation and consolidated results of **Peñalara Directorship, S.A.U.** and **Subsidiaries** in accordance with the Spanish Financial Reporting Framework applicable to the Group in Spain, as identified in note 3.1 of the attached notes, and for the internal control they consider necessary to allow for the preparation of the interim consolidated financial statements free of material misstatement due to fraud or error. Our responsibility is to express a conclusion on the accompanying consolidated financial statements based on our limited review.

Scope of review

We have performed our limited review in accordance with the International Standard on Review Engagement 2400 "Engagements to Review Financial Statements". A financial statements limited review means asking questions, mainly to the personnel in charge of financial and accounting matters, and in applying analytical and other review procedures. A limited review has a substantially more reduced scope than an audit performed in accordance with the current Spanish Financial Reporting Framework. This means we cannot ensure that all the important issues that could have been identified during a standard audit have been brought to our attention. For this reason, we are not expressing an audit opinion regarding the attached interim financial statements.

Conclusion

As a result of our limited review, that must not under any circumstances be understood as an Audit opinion, we have not been made aware of any information that would lead us to conclude that the attached interim consolidates financial statements for the period between April 1 2020 and 30 September 2020 have not been prepared, in all their significant aspects, in accordance with the relevant current Spanish Financial Reporting Framework, especially regarding the accounting principles and criteria contained within it.

Emphasis of matter paragraphs

We want to draw attention to note 3.5 of the attached interim consolidated financial statements, in which it´s indicated that the interim consolidated financial statements are the first formulated by the sole director of the Parent Company, so information for comparation has not been included. Our conclusion has not changed with regards to this concern.

Paragraph regarding other issues

This limited review has been prepared at the request of the sole director, relating to the process of listing of the Parent Company and should not be used for any other purpose.

BDO Auditores, S.L.P.

Francisco J. Giménez Soler
Audit Partner

17 November 2020

PEÑALARA DIRECTORSHIP, S.A.
and Subsidiary Companies

Consolidated Interim Financial Statements for the six month period ended 30 September 2020

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.

PEÑALARA DIRECTORSHIP, S.A. and Subsidiary Companies

Consolidated Interim Financial Statements

PEÑALARA DIRECTORSHIP, S.A. and Subsidiary Companies

Consolidated Interim Balance Sheets at 30 September 2020
(Stated in Euros)

	ASSETS	NOTES	30/09/2020 (*)
A)	**NON-CURRENT ASSETS**		**174,584,179**
III.	**Property investments**	5	**171,630,708**
V.	**Long-term financial investments**	6.2	**1,288,714**
VI.	**Deferred tax assets**	10	**1,664,757**
B)	**CURRENT ASSETS**		**11,259,298**
III.	**Trade debtors and other receivables**	6.3	**9,114,520**
V.	**Short-term financial investments**	6.2	**11,178**
VI.	**Current accruals**	6.2	**296,944**
VII.	**Cash and equivalent liquid assets**	6.4	**1,836,656**
TOTAL ASSETS (A + B)			**185.843.477**

(*) Non-audited figures

The Consolidated Interim Financial Statements of the Company, which form a single unit, comprise these Interim Consolidated Interim Balance Sheets, the attached Consolidated Interim Profit and Loss Account, the Consolidated Interim Statement of Changes in Equity, and the Consolidated Interim Cash Flow Statement and the attached notes to the Consolidated Interim Financial Statements, which consist of 18 Notes.

	EQUITY AND LIABILITIES	NOTES	30/09/2020 (*)
A)	**EQUITY**		**74,560,903**
A-1)	**Own funds**	7	**74,560,903**
I.	**Share Capital**	7.1	**510,000**
II.	**Issue premium**	7.2	**41,910,299**
III.	**Reserves**	7.3	**(538,002)**
VI.	**Other shareholders' contributions**	7.4	**33,500,000**
V.	**Result for the period**		**(821,394)**
B)	**NON-CURRENT LIABILITIES**		**110,204,006**
II.	**Long-term debt**	8	**110,204,006**
2.	Debt with Credit institutions		108,933,782
5.	Other financial liabilities		1,270,224
C)	**CURRENT LIABILITIES**		**1,078,568**
III.	**Short-term debt**	8	**151,779**
2.	Debt with Credit institutions		127,650
5.	Other financial liabilities		24,129
V.	**Trade creditors and other payables**		**926,789**
TOTAL EQUITY AND LIABILITIES (A + B + C)			**185,843,477**

(*) Non-audited figures

The Consolidated Interim Financial Statements of the Company, which form a single unit, comprise these Interim Consolidated Interim Balance Sheets, the attached Consolidated Interim Profit and Loss Account, the Consolidated Interim Statement of Changes in Equity, and the Consolidated Interim Cash Flow Statement and the attached notes to the Consolidated Interim Financial Statements, which consist of 18 Notes.

PEÑALARA DIRECTORSHIP, S.A. and Subsidiary Companies

Consolidated Statement of Changes in Equity corresponding to the six-month period ended 30 September 2020 (Stated in Euros)

		NOTES	30/09/2020 (*)
1.	Turnover	11.1	3,841,461
7.	Other operating expenses	11.2	(590,378)
8.	Depreciation of property, plant and equipment	5	(1,725,670)
A)	**OPERATING RESULT**		**1,525,413**
13.	Financial expenses	11.3	(2,223,234)
B)	**FINANCIAL RESULT**		**(2,223,234)**
C)	**RESULT BEFORE TAX**		**(697,821)**
17.	Corporate income tax	10	(123,573)
D)	**RESULT FOR THE PERIOD**		**(821,394)**

(*) Non-audited figures

The Consolidated Interim Financial Statements of the Company, which form a single unit, comprise this Consolidated Interim Profit and Loss Account the attached Consolidated Interim Balance Sheets, the Consolidated Interim Statement of Changes in Equity, and the Consolidated Interim Cash Flow Statement and the attached notes to the Consolidated Interim Financial Statements, which consist of 18 Notes.

A) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		30/09/2020 (*)
A)	**RESULT FROM THE PROFIT AND LOSS ACCOUNT**	**(821,394)**
	Revenue and expenses charged directly to equity	-
B)	TOTAL REVENUE AND EXPENSES CHARGED DIRECTLY TO EQUITY	-
	Transfers to the profit and loss account	-
C)	**TOTAL TRANSFERS TO THE PROFIT AND LOSS ACCOUNT**	-
	TOTAL RECOGNIZED REVENUE AND EXPENSES	**(821,394)**

(*) Non-audited figures

The Consolidated Interim Financial Statements of the Company, which form a single unit, comprise this Consolidated Interim Statement of Changes in Equity the attached Consolidated Interim Balance Sheets, the Consolidated Interim Profit and Loss Account, and the Consolidated Interim Cash Flow Statement and the notes to the Consolidated Interim Financial Statements, which consist of 18 Notes.

PEÑALARA DIRECTORSHIP, S.A. and Subsidiary Companies

Consolidated Interim Statement of Changes in Equity corresponding to the six-month period ended 30 September 2020 (Stated in Euros)

B) CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

		Subscribed Share Capital	Issue premium	Reserves	Other shareholders' contributions	Result	TOTAL
A)	**INITIAL ADJUSTED BALANCE 2020**	**510,000**	**43,642,446**	**(1,488)**	**33,500,000**	**(536,514)**	**77,114,444**
I.	Total recognized revenue and expenses	-	-	-	-	(821,394)	(821,394)
II.	Operations with owners and shareholders	-	(1,732,147)		-	-	(1,732,147)
III.	Other changes in equity	-	-	(536,514)	-	536,514	-
B)	**FINAL BALANCE AT 30 SEPTEMBER 2020 (*)**	**510,000**	**41,910,299**	**(538,002)**	**33,500,000**	**(821,394)**	**74,560,903**

(*) *Non-audited figures*
The Consolidated Interim Financial Statements of the Company, which form a single unit, comprise this Consolidated Interim Statement of Changes in Equity the attached Consolidated Interim Balance Sheets, the Consolidated Interim Profit and Loss Account, and the Consolidated Interim Cash Flow Statement and the notes to the Consolidated Interim Financial Statements, which consist of 18 Notes.

PEÑALARA DIRECTORSHIP, S.A. and Subsidiary Companies

Consolidated Interim Cash Flow Statement corresponding to the six-month period ended 30 September 2020 (Stated in Euros)

	30/09/2020 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES	
1. Result for the period before tax	**(697,821)**
2. Adjustment to the result	**3,648,914**
a) Depreciation of property, plant and equipment	1,725,670
b) Value corrections for impairment	-
h) Financial expenses	1,923,244
i) Translation differences	-
3. Changes in current capital	**(2,586,803)**
b) Debtors and other receivables	(2,057,895)
c) Other current assets	(114,735)
d) Creditors and other payables	(414,173)
e) Other current liabilities	-
f) Other non-current assets and liabilities	-
5. Cash flows from operating activities	**364,290**
B) CASH FLOWS FROM INVESTMENT ACTIVITIES	
7. Payments for investments	**18,062**
d) Property investments	18,062
e) Other financial assets	-
8. Cash flows from investing activities	**18,062**
C) CASH FLOWS FROM FINANCING ACTIVITIES	
10.Collections and payments for financial liability instruments	**(506,699)**
b) Repayment	(506,699)
2. Debt with credit institutions	(506,699)
11. Dividend payments and remuneration from other equity instruments	**(1,732,147)**
a) Dividends	(1,732,147)
12. Cash flows from financing activities	**(2,238,846)**
E) NET INCREASE/DECREASE OF CASH AND EQUIVALENTS	**(1,856,494)**
Cash and equivalents at the start of the period	**3,693,150**
Cash and equivalents at the end of the period	**1,836,656**

(*) *Non-audited figures*

The Consolidated Interim Financial Statements of the Company, which form a single unit, comprise this Consolidated Interim Cash Flow Statement, the attached Consolidated Interim Balance Sheets, the Consolidated Interim Profit and Loss Account, and the Consolidated Interim Statement of Changes in Equity and the notes to the Consolidated Interim Financial Statements, which consist of 18 Notes.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD BETWEEN 1 APRIL 1 AND 30 SEPTEMBER 2020

1. GENERAL INFORMATION ON THE COMPANY

PEÑALARA DIRECTORSHIP, S.A. (hereinafter the "Company" or the "Parent Company") was incorporated for an indefinite period on 11 December 2019 and has its registered office in Madrid, Calle Monte Esquinza, 30, Bajo izquierda, C.P.: 28010.

The aforementioned entity's main purpose is the advice and consultancy in general of all kinds of companies, especially in the tax, accounting, labour, economic, multimedia and internet fields.

On 19 February 2020 the investment fund Inmark Spain Wholesale Property Master Fund Nº. 26 acquired all the shares of the Company.

On 19 February 2020 the new Sole Shareholder decides to change the registered office of the Company in Madrid, to Calle Génova, 17, 6ª Planta, C.P: 28004.

The financial year that ended on 31 December 2019 comprised the operations carried out by the Company from its incorporation date on 11 December to 31 December 2019.

On 19 February 2020 the Sole Shareholder decided to modify the financial year of the Company, which starts on 1 April and ends on 31 March of each year. According to the foregoing, to ensure the correct processing of the change of financial year, a temporary transitional financial year was established that ranged from 1 January 2020 to 31 March 2020.

The financial year that ended on 31 March 2020, comprised the operations carried out by the Company during this 3-month period indicated on 1 January 2020 to 31 March 2020.

On 19 February 2020 the Company acquired 100% of the shares of the Company Hanover Investments, S.L.U.

At 30 September 2020 and 31 March 2020, the Company is controlled by Inmark Spain Wholesale Property Master Fund Nº. 26, an investment company duly established and existing in accordance with the laws of South Korea.

The Parent Company deposits its individual accounts in the Madrid Commercial Registry and together with its subsidiaries form the Peñalara group (hereinafter the "Group").

The PEÑALARA DIRECTORSHIP, S.A. Group and subsidiary companies was incorporated on 26 February 2020 as a result of the incorporation and acquisition on that date, by the Parent Company, of the subsidiaries indicated in Note 3.

The currency of the main economic environment in which the Group operates is the euro, which is therefore its functional currency. All amounts included in these Notes are reflected in euros unless expressly specified otherwise.

The Group's businesses are mainly concentrated in the property sector, specifically in the acquisition and marketing of urban property for lease, the marketing activity includes the rehabilitation of buildings under the terms established in Law 37/1992, of 28 December of Value Added Tax. The businesses of the Company and its subsidiaries extend only to Spanish territory.

Given the activity to which the Group Companies are engaged, it has no responsibilities, expenses, assets, provisions and contingencies of an environmental nature that could be significant in relation to equity, financial situation and results thereof. For this reason, no specific disclosures are included in these Notes regarding information on environmental matters.

2. SUBSIDIARY COMPANIES AND VARIATION IN THE CONSOLIDATION PERIMETER

Subsidiary companies are all the entities over which the Group holds or may hold, directly or indirectly, control, understanding this as the power to direct the financial and operating policies of a business in order to obtain economic benefits from its activities. When evaluating whether the Group controls another entity, the existence and effect of potential voting rights that are currently exercisable or convertible are considered. Subsidiaries are consolidated from the date control is transferred to the Group and are excluded from consolidation on the date that control ceases.

At 30 September 2020, the subsidiaries included in the consolidation perimeter, consolidated by the full integration method, and unaudited, are the following:

Euros (*)								
Company	**Registered office**	**Investment cost and pending disbursement**	**Impairment**	**% Holding**	**Corporate purpose**	**Share Capital**	**Other components of Equity**	**Result for the period**
Hanover Investments, S.L.U.	Calle Génova, 17, 6ª planta, 28004 Madrid	74,225,945	-	100%	Property activities	883,000	72,973,486	582,558

On 11 May 2020, the Sole Shareholder of the subsidiary company Hanover Investments, S.L.U. approved the merger through the absorption by Hanover Investments, S.L.U. of the company Mangareva Development, S.L.U. Prior to the merger, the company Hanover Investments, S.L.U. was the direct owner of 100% of the shares corresponding to the share capital of Mangareva Development, S.L.

As a result of the merger, the absorbed company has been dissolved without liquidation and the transfer of its assets en bloc to the absorbing company, the latter acquiring the rights and obligations of the former by universal succession. On 27 July 2020, the merger deed was registered in the Commercial Registry.

From an accounting point of view, the effect of the merger has been considered from 1 April 2020. The operations carried out by the absorbed company from 1 April 2020 are considered to be carried out by the absorbing company.

The Parent Company acquired control of 100% of the subsidiary companies through a private contract for the sale of shares on 26 February 2020 and made public the same day before the Madrid Notary Public. These consolidated interim financial statements have been prepared taking into account the impact of the business combination in relation to the taking of control over the holdings of the subsidiaries.

As in the case of the Parent Company, the close of the interim financial statements of the subsidiaries is on 30 September 2020.

The assumptions by which these companies are consolidated correspond to the situations contemplated in Art. 2 of the Rules for Formulation of Consolidated Financial Statements ("NOFCAC"), which are indicated below:

1. When the Parent Company is, in relation to another company (subsidiary), in any of the following situations:

a) That the Parent Company owns the majority of the voting rights.

b) That the Parent Company has the power to appoint or remove the majority of the members of the management body.

c) That the Parent Company may have, by virtue of agreements entered into with other shareholders, the majority of the voting rights.

d) That the Parent Company has appointed, with its votes, the majority of the members of the management body, who will perform their duties at the time when the consolidated financial statements are to be drawn up and during the two immediately preceding financial years. This circumstance is presumed when the majority of the members of the management body of the controlled company are members of the management body or senior managers of the Parent Company or of another controlled by it.

2. When a parent company owns half or less of the voting rights, even when it barely owns or does not have a holding in another company, or when the management power has not been made explicit (special purpose entities) but participates in the risks and benefits of the entity or has the capacity to participate in its operating and financial decisions.

3. BASIS OF PRESENTATION OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3.1. REGULATORY FRAMEWORK OF APPLICABLE FINANCIAL INFORMATION

The consolidated interim financial statements have been prepared by the Sole Director of the Parent Company in accordance with the applicable financial information regulatory framework, which is established in:

- The Commercial Code and the remainder of the commercial legislation.
- The General Accounting Plan approved by R.D. 1514/2007 and RD 1159/2010 of 17 September that approves the Rules for the Formulation of Consolidated Financial Statements, and in particular by its latest update approved by Royal Decree 602/2016, of 2 December.
- The mandatory standards approved by the Institute of Accounting and Account Audits in development of the General Accounting Plan and its complementary standards.
- The remainder of the Spanish accounting regulations that may be applicable.

The Sole Director of the Parent Company prepares these consolidated interim financial statements corresponding to the six-month period ended 30 September 2020 in order to begin the listing process on Euronext.

3.2. TRUE AND FAIR IMAGE

The consolidated interim financial statements have been obtained from the accounting records of the companies included in the consolidation and are presented in accordance with the applicable financial information regulatory framework, in such a way that they show a true and fair image of the consolidated equity, of the consolidated financial situation and the consolidated results of the Group.

3.3. NON-COMPULSORY ACCOUNTING PRINCIPLES APPLIED

There is no accounting principle that, being mandatory, has ceased to be applied.

3.4. CRITICAL ASPECTS OF THE VALUATION AND ESTIMATION OF UNCERTAINTY

The preparation of the consolidated interim financial statements requires the application of relevant accounting estimates and the making of judgments, estimates and hypotheses in the process of applying the Group's accounting policies. In this regard, a detail of the aspects that have implied a greater degree of judgment, complexity or in which the hypotheses and estimates are significant for the preparation of the consolidated interim financial statements is included below:

- Evaluation of the going concern principle (Note 3.6).
- The useful life of property investments (Note 4.3).
- The evaluation of possible impairment losses on certain assets (Note 4.3)
- Valuation of some liabilities, expenses and commitments derived from litigation, commitments and contingent assets and liabilities (Note 4.8).
- Estimation of the effect of the COVID-19 pandemic (Note 3.6)

Despite the fact that these estimates have been made on the basis of the best information available at the end of the period between 1 April and 30 September 2020, it is possible that events that may take place in the future force them to be modified (up or down) in the coming years, which would be done prospectively.

At the date of preparation of these consolidated interim financial statements, the Sole Director of the Parent Company is not aware of the existence of uncertainties related to events or conditions that may raise significant doubts about the possibility of the Group continuing to operate normally.

The key assumptions about the future, as well as other relevant data on the estimation of uncertainty at 30 September 2020, which are associated with a significant risk of assuming material changes in the value of assets or liabilities in the coming years are as follows:

Impairment of non-current assets

The valuation of non-current assets, other than financial ones, requires estimations to be made in order to determine their fair value, in order to assess a possible impairment, especially of property investments. In order to determine this fair value, the Group carried out a valuation of the investment property based on an estimate of the expected future cash flows of said assets and using an appropriate discount rate to calculate its present value, for the purpose to fix the price paid for the Company. (Note 4.3).

Impairment of financial assets

The Group annually analyses whether there are impairment indicators for financial assets by carrying out impairment tests when circumstances so indicate. To do this, the recoverable value of the aforementioned assets is determined. The calculation of fair values may involve the determination of future cash flows and the assumption of hypotheses related to the future values of the aforementioned flows, as well as the discount rates applicable to them. The estimates and related assumptions are based on historical experience and on other factors understood as reasonable in accordance with the circumstances surrounding the activity carried out by the Group.

Leasing incentives

The Group has entered into a lease agreement with the lessee in which certain incentives are granted in the form of a grace period and staggered rents. The Group calculates the income pending billing (grace periods) according to the duration of each lease, proceeding to re-estimate the situation at each close.

3.5. COMPARISON OF INFORMATION

At 30 September 2020, is the first period in which the Group has decided to prepare consolidated financial statements, no comparative information is presented.

3.6. PRINCIPLE OF A BUSINESS AS A GOING CONCERN

At 30 September 2020, the Group has a positive working capital amounting to 10,180,730 euros and a positive equity of 74,560,903 euros.

The Parent Company's Directors have decided to prepare and approve these abbreviated interim consolidated financial statements under the going concern principle that involves the recovery of assets and the settlement of liabilities for the amounts and according to the classification with which they are recorded in the attached consolidated balance sheet.

The global pandemic situation due to COVID-19 significantly affects economic activity worldwide and, as a result, could affect the operations and financial results of the Group given the current situation of uncertainty. During the first semester of 2020, in the Peñalara Group, this fact has not had a significant impact on the financial statements, as there have been no changes in the contract signed with the lessee due to this fact.

This fact has been evaluated by the parent company's directors and they consider that no scenario is foreseen in which the financial capacity and continuity of the Group's activity is compromised.

3.7 GROUPING ITEMS

Certain items in the consolidated interim balance sheet, the consolidated interim profit and loss account, the consolidated interim statement of changes in equity and the consolidated interim cash flow statement are presented in a grouped manner to facilitate their understanding, although, to the extent that it is significant, the disaggregated information has been included in the corresponding notes to the consolidated interim financial statements.

4. ACCOUNTING AND VALUATION POLICIES

The main accounting and valuation standards used by the Group in the preparation of its consolidated interim financial statements for the six-month period between 1 April and 30 September 2020, in accordance with the provisions of the applicable financial reporting framework, have been the following:

4.1 Subsidiary companies

Subsidiaries companies are considered to be those over which the Company, directly or indirectly through subsidiary companies, exercises control, as provided in art. 42 of the Commercial Code.

For the sole purposes of presentation and breakdown in these consolidated interim financial statements, Group companies and associate companies are considered to be those that are controlled by any means by one or more natural or legal persons that act jointly or are under sole management by agreements or statutory clauses.

Note 3 includes certain information on the subsidiaries included in the consolidation of the Group, as well as the variations in the scope of consolidation that occurred during the year.

The acquisition by the Parent Company (or another company of the Group) of control of a subsidiary company constitutes a business combination that is accounted for according to the acquisition method. This method requires the acquiring company to record, on the acquisition date, the identifiable assets acquired and the liabilities assumed in a business combination, as well as, where appropriate, the corresponding goodwill or negative difference. Subsidiaries are consolidated from the date on which control is transferred to the Group and are excluded from consolidation on the date on which it ceases.

The acquisition cost is determined as the sum of the fair values, on the acquisition date, of the assets delivered, the 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 the fulfilment of certain conditions, which must be recorded as an asset, a liability or as equity according to their nature.

The expenses related to the issuance of the equity instruments or the financial liabilities delivered are not part of the cost of the business combination and are recorded in accordance with the rules applicable to financial instruments. The fees paid to legal advisors or other professionals involved in the business combination are recognized as expenses as they are incurred. Neither are the expenses generated internally for these items included in the cost of the combination, nor those that, where appropriate, would have been incurred by the acquired entity.

The excess, on the acquisition date, of the cost of the business combination, over the proportional part of the value of the identifiable assets acquired less the assumed liability representing the participation in the capital of the acquired company is recognized as goodwill. In the exceptional event that this amount exceeds the cost of the business combination, the excess would be recorded in the consolidated profit and loss account as revenue.

4.2 Consolidation method

Assets, liabilities, revenue, expenses, cash flows and other items in the individual interim financial statements of the Group's companies are incorporated into the consolidated interim financial statements using the full integration method. This method has been applied according to the following criteria:

a) Temporary homogenization

The interim consolidated financial statements are established on the same date as the individual financial statements of the Parent Company.

Subsidiaries have the same closing date and period as the Parent Company, so a temporary homogenization is not necessary.

b) Valuation homogenization

Assets and liabilities, revenue and expenses, and other items in the individual interim financial statements of the subsidiaries have been valued following uniform methods. Those elements of assets or liabilities, or those items of revenue or expenses that have been valued according to non-uniform criteria with respect to those applied in consolidation have been valued again, making the necessary adjustments, for the sole purpose of the consolidation.

c) Aggregation

The different items of the previously homogenized individual interim financial statements are aggregated according to their nature.

d) Elimination of investment-equity

The accounting values representing the equity instruments of the subsidiary company owned, directly or indirectly, by the Parent Company, are offset by the proportional part of the equity items of the aforementioned subsidiary company attributable to said interests, generally on the basis of the values resulting from applying the acquisition method described above.

In consolidations subsequent to the year in which control was acquired, the excess or shortfall of the equity generated by the subsidiary from the acquisition date that is attributable to the Parent Company is presented in the consolidated interim balance sheet within the reserves or adjustments for changes in value, depending on their nature. The part attributable to external partners is entered under the heading "Minority interests".

The detail of the first consolidation difference, which is attributed as a higher value of the property investment, supported by the valuation at the time of purchase, is as follows:

Net carrying value of assets	1,844,528
Value of holding	87,840,950
TOTAL	85,996,423

e) *Holdings of minority interests*

The Group has no external partners as the subsidiary companies are held 100% by the Parent Company.

f) *Eliminations of intra-group items*

Loans and debts, revenue and expenses and cash flows between Group companies are completely eliminated. Likewise, all the results produced by internal operations are eliminated and deferred until they are carried out with third parties outside the Group.

4.3 Property investments

The heading of the consolidated balance sheet relating to "Property Investments" includes the values of land, buildings and other constructions that are leased to third parties (Note 5).

The items included in this heading are valued at their cost, whether this is the acquisition price or the production cost.

The acquisition price includes, in addition to the amount billed by the seller after deducting any discount or reduction in the price and all additional and directly related expenses that occur until it is put into an operating condition.

Subsequently, the aforementioned elements of property investments are valued at their acquisition price less the accumulated depreciation and, where appropriate, the accumulated amount of the recognized value corrections for impairment.

The financial expenses of the financing related to the construction of property investments with a term of more than one year are capitalized as part of the cost until the asset's start-up.

Repairs that do not represent an extension of the useful life and maintenance costs are charged to the profit and loss account in the year in which they occur. The costs of expansion or improvement that give rise to an increase in the productive capacity or an extension of the useful life of the assets, are incorporated into the asset as a higher value of the asset, and the carrying value of the replaced item is withdrawn, where appropriate.

The depreciation of property investments is carried out on the cost values and is calculated by the straight-line method based on the estimated useful life of the different assets, which is as follows.

Item	Years of useful life
Buildings	33

At each financial year-end, the Parent Company reviews the residual values, the useful lives and the depreciation methods of property investments and, if applicable, they are adjusted prospectively.

The Peñalara Group sets aside the appropriate provisions for depreciation of property investments when the net realizable value is less than the recorded cost. The Sole Director of the parent company, as representatives of the Shareholders, has considered, for the purposes of determining the net realizable value, the valuations made by independent third-party experts (see Note 6).

Impairment of property investments

The Group periodically assesses whether there are indications that any non-current asset or, where appropriate, a cash-generating unit may be impaired. If there are indications, their recoverable amounts are estimated.

The recoverable amount is the higher of the fair value less costs to sell and the value in use. When the carrying value is greater than the recoverable amount, there is an impairment loss. Value in use is the present value of expected future cash flows, using risk-free market interest rates, adjusted for the specific risks associated with the asset.

Valuation adjustments for impairment and their reversal are recorded in the consolidated profit and loss account. Valuation corrections for impairment are reversed when the circumstances that gave rise to them cease to exist, except for those corresponding to goodwill. The reversal of impairment is limited to the carrying value of the asset that would appear if the corresponding impairment had not been previously recognized.

The Peñalara Group allocates the appropriate provisions for depreciation of property investments when the recoverable value is less than the depreciated cost. The Parent Company's Directors, as representatives of the shareholders, have considered, for the purposes of determining the recoverable value, the valuations made in the acquisition moment. These valuations have been made based on the following assumptions:

The valuation used is based on an estimate of the expected future cash flows of said assets and using an appropriate discount rate to calculate its present value.

4.4 Leases

Financial leases

Contracts are classified as financial leases when it is deduced from their economic conditions that substantially all the risks and benefits inherent to the ownership of the asset object of the contract are transferred to the lessee. Otherwise, the contracts are classified as operating leases. The Peñalara Group does not have any financial lease at 30 September 2020.

Operating leases

Property investments are leased to third parties. These leases are classified as operating leases.

Revenue derived from operating leases is recorded in the consolidated profit and loss account when accrued linearly over the estimated term of the lease. Direct costs attributable to the contract are included as a higher value of the leased asset and are recognized as an expense during the term of the contract, applying the same criteria used for the recognition of lease revenue.

4.5 Financial assets

Classification and valuation

Loans and receivables:

In this category, credits for trade and non-trade transactions are recorded, which include financial assets whose collections are of a determined or determinable amount, which are not traded on an active market and for which it is estimated to recover all the disbursement made by the Group , except, where appropriate, for reasons attributable to the solvency of the debtor.

Upon initial recognition in the consolidated interim balance sheet, they are recorded at their fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration given plus the transaction costs that are directly attributable to them. .

After their initial recognition, these financial assets are valued at their depreciated cost.

However, credits for trade transactions with a maturity of no more than one year and that do not have a contractual interest rate, as well as advances, dividends receivable and disbursements required on equity instruments, the amount of which is expected to be received in the short-term, are initially and subsequently valued at their nominal value, when the effect of not updating the cash flows is not significant.

Cancelation

Financial assets are derecognised from the consolidated interim balance sheet when the contractual rights over the cash flows of the financial asset have expired or when they are transferred, provided that the risks and benefits inherent to their ownership are substantially transferred in said transfer.

Interest received from financial assets

Interest on financial assets accrued after the acquisition is recorded as revenue in the consolidated profit and loss account. Interest is recognized using the effective interest rate method.

Impairment of financial assets

The carrying value of financial assets is corrected with a charge to the consolidated profit and loss account when there is objective evidence that an impairment loss has occurred.

To determine impairment losses on financial assets, the Group assesses possible losses for both individual assets and groups of assets with similar risk characteristics.

4.6 Financial liabilities

Classification and valuation

Debits and payables:

Include financial liabilities arising from the purchase of goods and services for trade transactions and debits for non-trade transactions that are not derivative instruments.

On initial recognition in the consolidated interim balance sheet, they are recorded at their fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration received adjusted for the transaction costs that are directly attributable to them.

After their initial recognition, these financial liabilities are valued at their depreciated cost. Accrued interest is recorded in the consolidated interim profit and loss account, applying the effective interest rate method.

However, debits for trade transactions with a maturity of no more than one year and that do not have a contractual interest rate, as well as the disbursements required by third parties on shares, the amount of which is expected to be paid in the short-term, are valued at their nominal value, when the effect of not updating the cash flows is not significant.

Cancelation

The Group derecognizes a financial liability when the obligation has been extinguished.

4.7 Cash and other equivalent liquid assets

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

- They are convertible into cash.
- At the time of its acquisition, its maturity was not more than three months.
- They are not subject to a significant risk of change in value.
- They are part of the Company's normal treasury management policy.

4.8 Provisions and contingencies

Provisions are recognized on the consolidated interim balance sheet as provisions when the Group has a current obligation (either due to a legal, contractual provision or an implicit or tacit obligation), arising as a result of past events, which is deemed likely to represent an outflow of resources for settlement and that is quantifiable.

Provisions are valued at the current value of the best possible estimate of the amount necessary to cancel or transfer the obligation to a third party, recording the adjustments that arise from updating the provision as a financial expense as they accrue. When it comes to provisions with a maturity of less than or equal to one year, and the financial effect is not significant, no type of discount is carried out. Provisions are reviewed at the closing date of each consolidated interim balance sheet and are adjusted in order to reflect the best current estimate of the corresponding liability at all times.

Conversely, contingent liabilities are considered to be those possible obligations, arising as a consequence of past events, the materialization of which is conditioned to the occurrence of future events that are not entirely under the control of the Group and those present obligations, arising as a consequence of past events, those that are not likely to have an outflow of resources for their liquidation or that cannot be valued with sufficient reliability. These liabilities are not subject to accounting records, detailing them in the Notes to the consolidated interim financial statements, if any, except when the outflow of resources is remote.

4.9 Corporate income tax

General regime

The corporate income tax expense or revenue comprises the part related to current corporate income tax or expense and the part corresponding to deferred income tax or expense in the amount that the group companies satisfy as a result of tax returns of corporate income tax relating to a tax year.

Deductions and other tax benefits in the tax charge, excluding withholdings and payments on account, as well as compensable tax losses from prior years and effectively applied in this one, give rise to a lower amount of current tax.

Deferred tax income or expense corresponds to the recognition and cancellation of deferred tax assets and liabilities. These include the temporary differences that are identified as those amounts that are expected to be payable or recoverable derived from the differences between the carrying amounts of assets and liabilities and their tax value, as well as negative tax bases pending compensation and credits for tax deductions not applied. Said amounts are recorded by applying to the corresponding temporary difference or credit the tax rate that is expected to be recovered or settled.

Deferred tax liabilities are recognized for all taxable temporary differences except those derived from the initial recognition of goodwill or other assets and liabilities in the operation that do not affect the tax result and the accounting result and is not a business combination.

Deferred tax assets are only recognized to the extent that it is considered probable that the group companies will have future taxable profits against which they can be made effective.

Deferred tax assets and liabilities originated from operations with direct charges or credits in equity accounts are also recorded against equity.

At each accounting close, the deferred tax assets recorded are reconsidered, making the appropriate corrections to the extent that there are doubts about their future recovery. Likewise, at each close, deferred tax assets not recorded in the consolidated balance sheet are evaluated and these are recognized to the extent that their recovery with future tax benefits becomes probable.

4.10 Revenue and expenses

In accordance with the accrual principle, revenue and expenses are recorded when they occur, regardless of the date of their collection or payment.

Revenue from sales and provision of services

Revenue is recognized when it is probable that the Group will receive the benefits or economic returns derived from the transaction and the amount of revenue and costs incurred or to be incurred can be reliably measured. Revenue is valued at the fair value of the consideration received or to be received, deducting discounts, price reductions and other similar items that the Group may grant, as well as, where appropriate, the interest incorporated in the nominal value of the loans. Indirect taxes levied on operations and which are passed on to third parties are not part of revenue.

Rental income is recognized on a straight-line basis over the estimated duration of the contract.

4.11 Environmental matters

The costs incurred in the acquisition of systems, equipment and facilities whose purpose is to eliminate, limit or control the possible impacts that the normal development of the Group's activity may cause on the environment are considered investments.

The rest of the expenses related to the environment, other than those incurred for the acquisition of property, plant and equipment, are considered expenses for the year.

With regard to possible environmental contingencies that may arise, the Sole Director of the Parent Company considers that, given the nature of the activity carried out by the Group, its impact is not significant, being in any case sufficiently covered with the insurance policies that they have underwritten.

4.12 Transactions with related parties

Transactions with related parties are recognized at the fair value of the consideration given or received. The difference between said value and the agreed amount is recorded according to the underlying economic substance.

4.13 Equity

The Parent Company share capital is represented by ordinary shares, all of the same class.

The costs of issuing new shares or options are presented directly against the interim equity, as lower reserves.

In the case of acquisition of own shares of the Parent Company, the consideration paid, including any directly attributable incremental cost, is deducted from the interim equity until its cancellation, reissue or disposal. When these shares are subsequently sold or reissued, any amount received, net of any directly attributable incremental transaction costs, is included in equity.

4.14 Transactions in foreign currency

The Group's consolidated interim financial statements are presented in euros, which is the Group's presentation and functional currency.

4.15 Segmented information

In these Notes to the Consolidated Interim Financial Statements, information is presented segmented by geographic market. The activity of all the Group companies is the leasing of office assets.

4.16 Consolidated Interim Cash Flow Statement

In the consolidated interim cash flow statement, the following expressions are used in the following senses:

- Cash flows: inflows and outflows of cash and equivalent financial assets, understood

as current investments with high liquidity and low risk of changes in their value.
- Operating activities: typical operating activities, as well as other activities that cannot be classified as investment or financing.
- Investment activities: those of acquisition, disposal or withdrawal by other means of non-current assets and other investments not included in cash or equivalents.
- Financing activities: activities that produce changes in the size and composition of equity and liabilities that are not part of operating activities.

For the purposes of preparing the consolidated interim cash flow statement, "Cash and other equivalent liquid assets" have been considered as cash and on-demand bank deposits, as well as highly liquid current investments, which are easily convertible into specified amounts of cash, being subject to a negligible risk of value changes.

5. PROPERTY INVESTMENTS

The detail and movements of the different items that make up property investments in the period between 1 April and 30 September 2020 is the following:

	Euros				
	Balance at 31.03.2019	**Additions**	**Withdrawals**	**Transfers**	**Balance at 30.09.2020**
At cost:					
Land	61,187,840	-	-	-	61,187,840
Buildings	113,054,301	-	(18,062)	-	113,036,239
Property investments in progress	-	-	-	-	-
	174,242,141	**-**	**(18,062)**	**-**	**174,224,079**
Depreciation					
Buildings	(867,701)	(1,725,670)	-	-	(2,593,371)
	(867,701)	**(1,725,670)**	**-**	**-**	**(2,593,371)**
Impairment					
Buildings	-	-	-	-	-
	-	**-**	**-**	**-**	**-**
Carrying value	**173,374,440**	**(1,725,670)**	**(18,062)**	**-**	**171,630,708**

On 20 October 2016, the subsidiary Mangareva Development, S.L.U. (subsequently absorbed by Hannover Investments, S.L.U.) acquired a plot located in Calle Vía de los Poblados, 1 (Madrid). After said date, the Company has been activating the costs related to the studies of the building project planned for said plot, as well as the work to carry out the construction of the two office buildings.

The depreciation of property investments is carried out on the cost values and is calculated by the straight-line method based on the estimated useful life of the different assets, which is as follows.

Item	**Years of useful life**
Buildings	33

The Group has taken out various insurance policies to cover the risks to which property investment assets are subject. The coverage of these policies is considered sufficient.

The detail of the type of property investments available to the Peñalara Group at 30 September 2020 and their net carrying value and gross carrying value

	Gross carrying value (*)	Impairment and depreciation	Net carrying value
Office	174,224,079	(2,593,371)	171,630,708
TOTAL	**174,224,079**	**(2,593,371)**	**171,630,708**

The detail of the assets by geographic location, as well as their gross carrying value at 30 September 2020 and 31 December 2019, in that order is as follows:

	EUROS
Madrid	174,224,079
TOTAL	**174,224,079**

The Group sets aside the appropriate provisions for depreciation of property investments when the recoverable value is less than the recorded cost. At the end of the six-month period ended 30 September 2020, the Group has not recorded any impairment of its property assets. The Group will perform asset valuations based on valuations carried out by independent experts.

The Parent Company's Directors have considered, in order to determine the recoverable value, the valuations made by independent third-party experts at the time of acquisition.

5.1. OPERATING LEASES

Investment property is leased to third parties through operating leases. Lease contracts have a duration of between 1 and 15 years, with staggered rents and lease grace periods in some of them,

The revenue from the leases amounted to 3,492,321 euros in the period between 1 April and 30 September 2020.

The minimum future collections of the lease contracts, non-cancellable at 30 September 2020 are as follows, considering the first dates of termination of the contract agreed with each lessee. In these, the increases due to inflation that may occur in the future have not been taken into account:

	30/09/2020
Up to one year	6,863,400
Between one and five years	30,485,376
More than 5 years	68,592,096
TOTAL	105,940,872

6. FINANCIAL ASSETS

6.1. ANALYSIS BY CATEGORIES

The carrying value of each of the categories of financial assets established in the standard for recording and valuation of "Financial Instruments" is as follows at 30 September 2020:

Long-term financial assets:

	30/09/2020
Loans and receivables	**Loans, Derivatives and others**
Guarantees and deposits constituted	1,288,714
Total	**1,288,714**

Short-term financial assets:

	30/09/2020
Loans and receivables	**Loans, Derivatives and others**
Clients	6,730,204
Other debtors	82,495
Guarantees and deposits constituted	11,178
Total	**6,823,877**

At 30 September 2020, there are short-term assets with the Public Administrations, amounting to 2,301,821 euros, which are not included in this detail (See Note 9).

6.2. DEPOSITS, CONSTITUTED GUARANTEES AND ACCRUALS

a) DEPOSITS AND CONSTITUTED GUARANTEES

At 30 September 2020, the amounts of the items that make up the heading of long and short-term financial investments:

	30/09/2020
Deposits and guarantees, long-term	1,288,714
Deposits and guarantees, short-term	11,178
Total	**1,299,892**

Long-term deposits basically correspond to the guarantees deposited related to the rentals of property investments. In accordance with the provisions of article 36 of Law 29/1994, of 24 November, of the law on urban leases.

The bonds previously deposited will be refunded as the contracts expire.

b) ACCRUALS

	30/09/2020
Short-term asset accruals	296,944

6.3. CLIENTS AND SUNDRY DEBTORS

The Company presents the following detail of loans and receivables at 30 September 2020

	30/09/2020
Clients for sales and the provision of services	6,730,204
Sundry debtors	82,495
TOTAL	**6,812,699**

The fair values of the loans and receivables coincide with their carrying values.

These items are entirely denominated in euros. At 30 September 2020, under the heading of "Clients for sales and provision of services", are mainly the balances pending collection of leases and the accounting effect of the linearization of revenue, in contracts with grace periods or incentives.

At 30 September 2020, the figure for "Clients for sales and provision of services" has not recognized any impairment.

The maximum exposure to credit risk, on the date of presentation of the information, is the fair value of each of the categories of accounts receivable indicated above. The Group maintains certain guarantee instruments to cover any contingency in any possible non-payment of revenue.

6.4. CASH AND OTHER EQUIVALENT LIQUID ASSETS

The breakdown of this heading at 30 September 2020 is as follows:

Euros	**30/09/2020**
At sight current accounts	1,836,656
TOTAL	**1,836,656**

7. OWN FUNDS

7.1. SHARE CAPITAL

Close	Class	Number	Nominal value/Share	Total nominal value
30/09/2020	Nominative	510,000	1	510,000

At 31 December 2019, the Parent Company's share capital consisted in 60,000 shares with a nominal value of 1 euro each, of which 15,000 euros had been paid-up on that date, with the remaining 45,000 euros pending payment.

On 19 February 2020, the investment fund Inmark Spain Wholesale Property Master Fund Nº. 26 acquires all the shares of the Parent Company from the former shareholders (Legal Management Advisory, S.L. and Directorship Cibeles, S.L.) for an amount total of 15,000 euros. After this acquisition, the sole shareholder status of the Company is certified by the Madrid Commercial Registry.

On 26 February 2020, the Sole Shareholder decides to disburse the outstanding dividends from the Parent Company indicated above in the amount of 45,000 euros.

On 26 February 2020, the Sole Shareholder of the Parent Company decides to increase the Company's share capital, currently set at 60,000 euros, in the amount of 450,000 euros, until reaching the figure of 510,000 euros.

The capital increase was carried out through the creation of 450,000 new shares, equal, accumulative and indivisible with a nominal value of 1 euro each, with a global share premium of 44,042,446 euros, that is, 97.87210222 euros per share. All the newly created shares are paid-up and assumed, in this act and making use of their preferential assumption right, by the Sole Shareholder of the Company.

At 30 September 2020, the share capital of the Parent Company amounted to 510,000 euros, represented by 510,000 shares of 1 euro nominal value each, fully subscribed and paid-up.

There are no contracts with the majority Shareholder other than those described in these consolidated interim financial statements.

7.2. SHARE ISSUE PREMIUM

This reserve is freely available.

On 26 February 2020, the Sole Shareholder of the Parent Company carried out a capital increase by creating 450,000 new shares, equal, accumulative and indivisible with a nominal value of 1 euro each, with a full share premium of 44,042,446 euros, that is, of 97.87210222 euros per share.

On 30 March 2020, the Sole Shareholder approved the repayment of the share premium by the Parent Company for the amount of 400,000 euros, paid-up on that same date. Following this operation, at 31 March 2020, the Company's share premium amounted to 43,442,446 euros.

On 12 June 2020, the Sole Shareholder approves the distribution of a dividend for a total gross amount of 1,732,147 euros charged to the accounting item Share Premium.

At 30 September 2020, the share premium amounts to 41,910,299 euros.

7.3. LEGAL RESERVE

In accordance with the revised text of the Capital Companies Act, a figure equal to 10% of the profit for the year must be allocated to the legal reserve until it reaches, at least, 20% of the share capital.

The legal reserve may be used to increase the capital in the part of its balance that exceeds 10% of the capital already increased. Except for the purpose mentioned above, and as long as it does not exceed 20% of the share capital, this reserve may only be used to offset losses and provided that there are no other sufficient reserves available for this purpose.

At 30 September 2020 and 31 March 2020, the legal reserve has not been established.

7.4. OTHER CONTRIBUTIONS

On 26 February 2020, the Sole Shareholder of the Parent Company made a monetary contribution of 33,500,000 euros.

8. FINANCIAL LIABILITIES

8.1. ANALYSIS BY CATEGORIES

The carrying of each of the categories of financial liabilities established in the standard for recording and valuation of "Financial Instruments" is as follows at 30 September 2020:

Long-term financial liabilities:

	30/09/2020
Debits and payables	**Others**
Sureties and deposits received	1,270,224
Debt with credit institutions	108,933,782
Total	**110,204,006**

Short-term financial liabilities:

	30/09/2020
Debits and payables	**Others**
Other financial liabilities	24,129
Debt with credit institutions	127,650
Trade creditors and other payables	921,923
Total	**1,073,702**

Regarding **Long-term Sureties and Deposits received**, the amount included corresponds to the sureties and deposits received related to the rents of the premises of property investments amounting to 1,270,224 euros at 30 September 2020.

Debt with credit institutions correspond to the financing contract granted by Banco Santander, S.A. and ING Bank, N.V. to the subsidiary Mangareva Development, S.L.U. (later absorbed by Hannover Investments, S.L.U.) for a maximum total amount of 111 million euros, of which the Company has drawn down the entire amount at 30 September 2020. The Group has recognized this financial debt in the attached consolidated balance sheet at amortized cost, that is, the principal of the loan drawn down for an amount of 111,000,000 euros is reduced by the transaction costs associated with it at 30 September 2020 this amounts to 2,066,218 euros, having allocated an amount of 218,806 euros corresponding to the amortization of the transaction costs mentioned in the heading "Financial expenses with third parties" in the abbreviated profit and loss account of the accompanying consolidated interim financial statements. The expenses for the financing of said loan have amounted to 600,736 euros in the six-month period between 1 April and 30 September 2020.

Additionally, the Parent Company Peñalara Directorship, S.L., was the holder of a loan with the same entity, for a total of 13,000,000 euros, paid in full at 30 September 2020. Said loan has accrued interest in the period of 6 months of a total of 81,183 euros. Due to the cancellation of said loan, the Company has recorded the amortization of all transaction costs, initially recorded as a lower amount of debt for a total of 1,322,508 euros.

The maturity of the current loan is 26 February 2025 with a single amortization of the entire principal thereof and accrues interest at an annual interest rate of 1.15%, being settled quarterly. The heading

"Short-term debt with financial institutions" includes accrued and unpaid interest at 30 September 2020 for the amount of 127,650 euros

At 30 September 2020, there are short-term liabilities with Public Administrations, amounting to 4,866 euros, which are not included in this detail (see detail Note 9).

9. TAX POSITION

The detail of the balances relating to tax assets and tax liabilities at 30 September 2020 is as follows:

	Assets	Liabilities
	30/09/2020	
Non-current	**1,664,757**	**-**
Timing differences	1,664,757	-
Current	**2,301,821**	**4,866**
Value Added Tax (VAT)	2,301,821	-
Withholdings and prepayments	-	4,866
Total	**3,966,578**	**4,866**

According to current legal provisions, tax assessments cannot be considered final until they have been inspected by the tax authorities or the statute of limitations, currently set at four years, has elapsed. The Group has the years 2019 y 2020 opened for inspection for all applicable taxes. On the other hand, the subsidiary company Hanover Investments, S.L. received communication of limited verification of the VAT refund for 2019 and the first quarter of 2020. At the date of formulation of the financial statements, the process is in the initial phase, so in the opinion of the Company's advisers it is not possible to evaluate possible contingencies.

In the opinion of the Parent Company Sole Director, as well as of its tax advisers, there are no other tax contingencies of significant amounts that could arise, in the event of an inspection, from possible different interpretations of the tax regulations applicable to the operations carried out by the Group.

10. CORPORATE INCOME TAX CALCULATION

At financial year-ended 30 September 2020, the detail of the individual taxable income under the general regime pending compensation is as follows:

(Euros)	30 September 2020
Year of generation	
2017	374,406
2018	9,651,566
2018	193,054
2019	877,296
	11,096,322

The consolidated tax base results from the sum of the tax bases of the companies included in the consolidation perimeter, considering the adjustments and eliminations of consolidation.

The Group estimated that future tax benefits would be obtained from the lease contract signed for the offices owned by the Group described in Note 5 above. Based on this analysis, the Group recognized deferred tax assets in previous years corresponding to the negative tax bases pending compensation for which it considered probable the generation of sufficient future tax benefits derived from the Group's activity based on the aforementioned lease agreement already signed.

As a consequence of the above, the Group maintains deferred tax assets on its balance sheet for a total amount of 1,664,757 euros. During the 6-month period between 1 April and 30 September 2020, the Group has recorded a deferred tax expense in the amount of 123,573 euros as a result of offsetting the activated tax bases indicated above, based on the calculation of the tax provision for said period.

At 30 September 2020, the Group companies have the main taxes of the last four years open for inspection by the tax authorities or, where appropriate, from the date of incorporation. The Sole Director of the Parent Company considers that the settlements of the aforementioned taxes have been adequately practiced, therefore, even in the event that discrepancies arise in the current regulatory interpretation due to the tax treatment granted to operations, the eventual resulting liabilities, If materialized, would not significantly affect these interim consolidated financial statements.

11. REVENUE AND EXPENSES

11.1. TURNOVER AND OTHER OPERATING REVENUE

The distribution of the Group's turnover corresponding to its continuing operations by categories of activities is as follows:

CONSOLIDATED PROFIT AND LOSS (Euros)	30/09/2020
Revenue from leasing of premises	3,492,321
Revenue from expenses passed to lessees	349,140
TOTAL	**3,841,461**

The distribution of the turnover for the provision of services broken down by province in financial year ended 30 September 2020, in the following order is as follows:

30/09/2020	Euros
Madrid	3,841,461
TOTAL	**3,841,461**

11.2. OTHER OPERATING EXPENSES

The detail of this heading at 30 September 2020 is as follows:

CONSOLIDATED PROFIT AND LOSS (Euros)	30/09/2020
External Services and other taxes:	
Upkeep and maintenance	42,679
Independent professional services	191,563
Insurance premiums	43,831
Bank services	1,092
Taxes	311,213
TOTAL	**590,378**

The heading "Upkeep and maintenance" includes expenses related to property investments owned by the Group.

11.3. FINANCIAL RESULT

The detail of this heading for the period up to 30 September 2020 is as follows:

CONSOLIDATED PROFIT AND LOSS AT 30/09/2020 (Euros)	
Financial revenue:	-
- Other financial revenue	-
TOTAL	-
Financial expenses:	
- Interest on loans with financial institutions (Note 8.1)	681,919
- Other financial expenses (amortization of debt formalization expenses) (Note 8.1)	1,541,315
TOTAL	**2,223,234**

12. RELATED PARTIES

The Group's related parties in the 6-month period between 1 April and 30 September 2020:

	Nature of relationship
Inmark Spain Wholesale Property Master Fund Nº 26	Sole Shareholder of the Parent Company

At 30 September 2020, the Group has no balances with the Sole Shareholder. Likewise, during the 6-month period between 1 April and 30 September 2020, the Group has not carried out transactions with the Sole Shareholder.

The transactions carried out with related parties correspond to normal business operations of the Company and are carried out at market prices, which are similar to those applied to unrelated entities.

13. DIRECTORS AND SENIOR MANAGEMENT

Neither the Parent Company nor its subsidiaries maintain balances with the Sole Director or Senior Management, nor have they granted any remuneration to them during the period from 1 April to 30 September 2020.

Neither the Parent Company nor its subsidiaries have any pension or life insurance commitment with the Sole Director of the Parent Company.

In relation to articles 229 and 230 of the Capital Companies Act, the Sole Director of the Parent Company has communicated that he has not held any equity interests in companies with the same, analogous or complementary type of activity to which constitutes the corporate purpose of the Company.

14. INFORMATION ON THE NATURE AND LEVEL OF RISK FROM FINANCIAL INSTRUMENTS

The Group's risk management policies are established by the Sole Director. Based on these policies, the Group has established a series of procedures and controls that make it possible to identify, measure and manage the risks derived from the activity.

14.1 Qualitative information

The management of the Group's financial risks is centralized in the Finance Department, which has established the necessary mechanisms to control exposure to variations in interest rates and exchange rates, as well as to credit and liquidity risks. The main financial risks that impact the Group are listed below:

a) Credit risk:

In general, the Group maintains its cash and banks and equivalent liquid assets in financial institutions with a high credit level. The lease contracts signed with the lessees are long-term.

b) Liquidity risk:

In order to ensure liquidity and be able to meet all payment commitments derived from its activity, the Group has the cash and banks that shows its balance sheet.

c) Market risk (includes interest rate, exchange rate and other price risks):

Both the Group's cash and banks and financial debt are exposed to interest rate risk, which could have an adverse effect on financial results and cash flows.

14.2 Quantitative information

a) Credit risk:

The Group does not maintain accounts receivable guaranteed by credit insurance.

b) Interest rate risk

All long-term financial debt with credit institutions is linked to a fixed interest rate.

15. OTHER INFORMATION

15.1. PERSONNEL STRUCTURE

The Group does not have employees so there are no personnel expenses.

The current Sole Director of the Parent Company is a man.

15.2. AUDIT FEES

The fees accrued in the year for the services provided in the form of audits or other verification services have been the following:

	30/09/2020
OTHER Verification and/or review services	3,000.00
TOTAL	**3,000,00**

The Consolidated Interim Financial Statements at 30 September 2020, have been reviewed by BDO Auditores, S.L.P.

16. ENVIRONMENTAL INFORMATION

The systems, equipment, facilities and expenses incurred by the Group for the protection and improvement of the environment are not significant at 30 September 2020.

With the procedures currently in place, the Group considers that environmental risks are adequately controlled.

The Group has not received grants of an environmental nature during the period between 1 April and 30 September 2020.

17. IN SEGMENTED INFORMATION

The Group does not present segmented information as it is a single business segment.

18. POST BALANCE SHEET EVENTS

In the opinion of the Sole Director of the Parent Company, no other event has been revealed after 30 September 2020 that could have a significant impact on these consolidated interim financial statements.

PEÑALARA DIRECTORSHIP, S.A. and Subsidiary Companies

FORMULATION OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS

On **16 November 2020**, the Sole Director of PEÑALARA DIRECTORSHIP, S.A. proceeds to formulate the consolidated interim financial statements for the period between 1 April and 30 September 2020, which are made up of the pages that precede this writing.

Tae Jin Ji

Sole Director