Vía Célere Desarrollos Inmobiliarios, S.A. and Subsidiaries

Consolidated Annual Accounts

31 December 2019

Consolidated Directors' Report

2019

(With Independent Auditor's Report Thereon)

(Free translation from the original in Spanish. In the event of discrepancy the Spanish-language version prevails.)

KPMG Auditores, S.L.
Paseo de la Castellana, 259-C
28046 Madrid

Independent Auditor's Report on the Consolidated Annual Accounts

(Free translation from the original in Spanish. In the event of discrepancy the Spanish-language version prevails.)

To the shareholders of Vía Célere Desarrollos Inmobiliarios, S.A.

Opinion

We have audited the consolidated annual accounts of Vía Célere Desarrollos Inmobiliarios, S.A. (the "Parent") and subsidiaries (together the "Group") which comprise the consolidated statement of financial position at 31 December 2019, and the consolidated income statement, consolidated statement of income and expense, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2019 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts 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 regarding independence, that are relevant to our audit of the consolidated annual accounts pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this 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 judgement, have been considered as the most significant risks of material misstatement in the 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.

Valuation of inventories (see notes 2.4, 4.l) and 15)

At 31 December 2019, the Group has Euros 1,405,177 thousand in property inventories for development and sale in the normal course of business. The Group tests these assets for impairment every year, and to determine the net realisable value of the inventories, it uses appraisals or valuations made by independent experts. For this purpose, the valuation process for these assets has been considered as a relevant aspect of the audit insofar as the valuation techniques used often require the exercising of judgement and the use of assumptions and estimates.

Our audit procedures included assessing the design and implementation of key controls relating to the valuation of property inventories, as well as evaluating the methodology and assumptions used to prepare the appraisals or valuations used in this process, for which we involved our valuation specialists. We also assessed whether the disclosures in the consolidated annual accounts meet the requirements of the financial reporting framework applicable to the Group.

Recognition and recoverability of deferred tax assets (see notes 2.4, 4.o) and 21)

At 31 December 2019, the Group has deferred tax assets amounting to Euros 75,002 thousand. The recognition of deferred tax assets entails a high level of judgement by the Directors in assessing the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and tax planning opportunities. Due to the significance of the amount of deferred tax assets and the uncertainty associated with their recovery, this matter has been considered a relevant aspect of the audit.

Our audit procedures included assessing the design and implementation of controls over the recognition and measurement of deferred tax assets, and evaluating the key assumptions used to estimate the Group's future taxable profits, compared with data from external sources, such as economic forecasts, and the Group's historical data. In addition, we assessed the sufficiency of future taxable profits to offset deferred tax assets and we evaluated whether the information disclosed in the consolidated annual accounts meets the requirements of the financial reporting framework applicable to the Group.

Other Information: Consolidated Directors' Report

Other information solely comprises the 2019 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility for the consolidated directors' report, in accordance with the requirements of prevailing legislation regulating the audit of accounts, consists of assessing and reporting on the consistency of the consolidated directors' report with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. It is also our responsibility to assess and report on whether the content and presentation of the consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described in the preceding paragraph, the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2019 and the content and presentation of the report are in accordance with applicable legislation.

Directors' Responsibility for the Consolidated Annual Accounts

The Parent's Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they 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'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 Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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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 prevailing legislation regulating the audit of accounts 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 economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement 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's Directors.

- Conclude on the appropriateness of the use by the Parent's Directors 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 a true and fair view.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated 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 Directors of the Parent 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 to the Directors of Vía Célere Desarrollos Inmobiliarios, S.A., we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and which are therefore the most significant risks.

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

KPMG Auditores, S.L.
On the Spanish Official Register of Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

Francisco Rabadán Molero
On the Spanish Official Register of Auditors ("ROAC") with No. 15797

20 March 2020

Vía CélereDesarrollos Inmobiliarios, S.A. and subsidiary companies

Consolidated annual accounts and consolidated management report for the year ended 31 December 2019

Drawn up in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS)

VÍA CÉLERE DESARROLLOS INMOBILIARIOS, S.A. AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019
(IN THOUSANDS OF EUROS)

Assets	Note	31.12.2019	31.12.2018
Intangible Assets	8	**66**	**122**
Patents, licenses, trademarks and similar		-	27
IT applications		61	90
Goodwill		5	5
Property, plant and equipment	9	**4.434**	**3.546**
Land and buildings		2.954	2.729
Technical installations and machinery		681	172
Other fixed assets		756	428
Property, plant and equipment in progress		43	217
Investment property	10	**112**	**114**
Land		75	75
Buildings		37	39
Investments in associated companies		**5.079**	**12.682**
Equity instruments	13	5.079	12.682
Long-term financial investments	14	**1.801**	**27.349**
Deposits and Bonds		1.511	635
Derivative Financial Instruments		1	26
Loans to third parties		289	26.688
Deferred tax assets	21	**75.002**	**71.089**
Total non-current assets		**86.494**	**114.902**
Inventories	15	**1.416.688**	**675.624**
Raw Materials		740	1.180
Land and plots		632.826	271.229
Finished developments		116.313	4.801
Property developments in progress		656.038	390.315
Advances to suppliers		10.771	8.099
Trade and other receivables	14	**15.835**	**10.090**
Trade receivables for sales and services		1.818	3.438
Clients, associated companies		498	121
Other Public Authority credits		12.231	2.952
Current tax assets		113	96
Other accounts receivable		1.175	3.483
Short-term investments in associated companies	14	**51**	**365**
Loans to associates		51	365
Short-term financial investments	14	**12.263**	**419**
Loans to third parties		7.859	-
Other financial assets		4.404	419
Short-term accruals		**6.342**	**3.890**
Cash and other equivalent liquid assets	14	**176.124**	**56.236**
Register		17	11
Treasury		176.107	56.225
Total current assets		**1.627.303**	**746.624**
Total assets		**1.713.797**	**861.526**

Notes 1 to 27 are an integral part of the 2019 consolidated annual accounts.

VÍA CÉLERE DESARROLLOS INMOBILIARIOS, S.A. AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019
(IN THOUSANDS OF EUROS)

Net Equity	Note	31.12.2019	31.12.2018
Capital	16.1	411.161	204.187
Share premium	16.2	736.387	239.294
Reserves		**(397.557)**	**(69.725)**
Legal reserve	16.3	29.908	20.814
Voluntary reserve	16.5	(427.465)	(90.539)
Profit for the year		**22.435**	**84.786**
Total Equity attributable to the Parent Company		**772.426**	**458.542**
Total net equity		**772.426**	**458.542**
Long-term provisions	17	**12.147**	**8.823**
Long-term debt	18	**222.411**	**1.497**
Amounts owed to credit institutions		222.401	1.309
Other financial liabilities		10	188
Deferred tax liabilities	21	**12.621**	**13.852**
Total non-current liabilities		**247.179**	**24.172**
Short-term provisions	17	**7.058**	**421**
Short-term payables	18	**384.406**	**238.184**
Amounts owed to credit institutions		384.099	237.648
Other financial liabilities		307	536
Short-term payables to related parties	24	-	**142**
Trade and other payables	18.2	**302.728**	**140.062**
Short-term suppliers		122.704	41.196
Customer advances		163.015	92.909
Payable to staff		2.674	1.442
Other debts with Public Authorities		13.681	3.454
Current tax liabilities		654	1.061
Short-term accruals		-	**3**
Total current liabilities		**694.192**	**378.812**
Total liabilities		**941.371**	**402.984**
Total net equity and liabilities		**1.713.797**	**861.526**

Notes 1 to 27 are an integral part of the 2019 consolidated annual accounts.

VÍA CÉLERE DESARROLLOS INMOBILIARIOS, S.A. AND SUBSIDIARY COMPANIES

CONSOLIDATED INCOME STATEMENT FOR 2019
(IN THOUSANDS OF EUROS)

	Note	31.12.2019	31.12.2018
Net turnover	23.1	**362.714**	**157.063**
Sales		362.703	157.048
Provision of services		11	15
Other Income		**9.532**	**2.136**
Excess provisions		-	-
Changes in inventories of finished and in-progress goods	23.2	**150.835**	**47.143**
Consumption of raw materials and other consumables		**(423.350)**	**(163.921)**
Consumption of raw materials and other consumables		(105.482)	(85.540)
Work carried out by other companies		(321.551)	(93.044)
Impairment of property inventories	15	3.683	14.663
Staff expenses	23.4	**(25.451)**	**(15.322)**
Wages, salaries and similar		(20.056)	(12.249)
Social charges		(5.395)	(3.073)
Other expenses	23.6	**(40.605)**	**(20.752)**
Depreciation of fixed assets	7,8 y 9	**(439)**	**(325)**
Impairment and income from disposal of non-current assets	23.11	**54**	**(85)**
Impairment and losses		54	(54)
Income from disposals and other		-	(31)
OPERATING INCOME		**33.290**	**5.937**
Financial income	23.9	**538**	**386**
From marketable securities and other financial instruments		538	386
Financial expenses	23.10	**(22.464)**	**(8.084)**
For debts to group, associated and related companies		-	(56)
Payables to third parties		(22.464)	(8.028)
Change in fair value of financial instruments		**(24)**	**25.743**
Impairment and gains or losses on disposal of financial instruments	23.12	-	**621**
FINANCIAL RESULT		**(21.950)**	**18.666**
Profit for the year on investments accounted for using the equity method		**6.940**	**(640)**
RESULT BEFORE TAXES		**18.280**	**23.963**
Taxes on profits	21	4.155	60.823
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**22.435**	**84.786**
PROFIT FOR THE YEAR		**22.435**	**84.786**
Profit per share			
Basic profit per share (euros) (See Note 5)		0,68	2,56
Diluted profit per share (euros) (See Note 5)		0,68	2,56
Profit per share - Continuing operations			
Basic profit per share (euros) (See Note 5)		0,68	2,56
Diluted profit per share (euros) (See Note 5)		0,68	2,56
Profit attributed to shareholders of the Parent Company		**22.435**	**84.786**

Notes 1 to 27 are an integral part of the 2019 consolidated annual accounts.

VÍA CÉLERE DESARROLLOS INMOBILIARIOS, S.A. AND SUBSIDIARY COMPANIES

STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR 2019
(IN THOUSANDS OF EUROS)

(Thousands of Euros)		
	Year 2019	Year 2018
Consolidated profit for the year	**22.435**	**84.786**
Items reclassified to profit and loss		
-Translation differences	-	-
Total	-	-
Total comprehensive income, net of taxes	**22.435**	**84.786**
a) Owners of the Parent	22.435	84.786
b) Non-controlling interests	-	-

Notes 1 to 27 are an integral part of the 2019 consolidated annual accounts.

VÍA CÉLERE DESARROLLOS INMOBILIARIOS, S.A. AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019
(IN THOUSANDS OF EUROS)

	Attributable to owners of the Company					
	Share Capital	Share premium	Legal reserve	Retained earnings	Other Equity instruments	Total Equity
Balance at 1 January 2018	**169.433**	**159.518**	**20.814**	**(92.041)**	**41.327**	**299.051**
Total comprehensive loss for the year	-	-	-	84.786	-	**84.786**
Issue of ordinary shares (Note 17.1)	34.754	79.776	-	-	(41.327)	**73.203**
Other equity	-	-	-	1.502	-	**1.502**
Balance at 31 December 2018	**204.187**	**239.294**	**20.814**	**(5.753)**	**-**	**458.542**
Total comprehensive loss for the year	-	-	-	22.435	-	**22.435**
Total recognised income and expense, 2018	-	-	9.094	(9.094)	-	-
Aelca Merger Operation (Note 16.1;7 and 1)	190.482	457.484	-	(409.965)	-	**238.001**
Issue of ordinary shares (Note 16.1)	16.492	39.609	-	-	-	**56.101**
Other equity	-	-	-	(2.653)	-	**(2.653)**
Balance at 31 December 2019	**411.161**	**736.387**	**29.908**	**(405.030)**	**-**	**772.426**

Notes 1 to 27 are an integral part of the 2019 consolidated annual accounts.

VÍA CÉLERE DESARROLLOS INMOBILIARIOS, S.A. AND SUBSIDIARY COMPANIES

CONSOLIDATED CASH FLOW STATEMENT FOR 2019

(IN THOUSANDS OF EUROS)

	Note	31.12.2019	31.12.2018
CASH FLOWS USED IN OPERATING ACTIVITIES			
Loss for the year		**22.435**	**84.786**
Adjustments for		**19.242**	**(150.809)**
Depreciation and amortisation charge	**8, 9, 10**	442	325
Impairment losses	**15**	(2.129)	(71.744)
Changes in provisions	**18**	11.367	(428)
Gains on derecognition and disposal of non-current assets	**23.11**	(12)	(26)
(Gains)/losses on derecognition and disposal of financial instruments	**23.12**	-	(1.329)
Finance income	**23.9**	(538)	(386)
Finance cost	**23.10**	22.347	8.705
Tax income		(4.043)	(60.823)
Change in fair value of financial instruments		24	(25.743)
Others income / cost		(1.392)	-
Share of loss on investments for using the equity method	**14**	(6.824)	640
Changes in working capital		**(94.903)**	**56.557**
Inventories		(106.797)	42.192
Trade and other receivables		3.999	(1.670)
Trade and other payables		13.706	22.886
Other current assets and liabilities		(2.176)	(6.230)
Other non-current assets and liabilities		(3.635)	(621)
Other cash flows used in operating activities		**(24.364)**	**(10.832)**
Income taxes paid	**21**	853	2.400
Dividends received		9.089	-
Interest paid	**23.10**	(34.844)	(13.618)
Interest received	**23.9**	538	386
Total net cash flows used in operating activities		**(77.590)**	**(20.298)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments due/proceeds from investing activities		**(164.318)**	**(872)**
Associated companies		(166.772)	-
Acquisition of intangible assets	**8**	(17)	(85)
Acquisition of property, plant and equipment	**9**	(918)	(492)
Other financial assets		3.389	(295)
Proceeds from sale of investments		**71.877**	**18.309**
Investments in associates		2.685	1.116
Intangible assets		25	-
Business Combination (merger)		71.617	-
Investment property		-	57
Non-current assets held for sale		-	16.585
Other financial assets		(2.450)	551
Total net cash flows (used in)/from investing activities		**(92.441)**	**17.437**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of equity instruments	**16.1, 16.8**	37.177	183
Proceeds from bank borrowings		331.015	50.377
Payment to associates companies		-	(15.001)
Repayment of bank borrowings		(78.273)	(76.508)
Total net cash flows from financing activities		**289.919**	**(40.949)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**119.888**	**(43.810)**
Cash and cash equivalents at 1 January	**14,3**	56.236	100.046
Cash and cash equivalents at 31 December	**14,3**	176.124	56.236

Notes 1 to 27 are an integral part of the 2019 consolidated annual accounts.

1. Nature, activities and composition of the Group

A. GENERAL INFORMATION

Vía Célere Desarrollos Inmobiliarios, S.A. (hereinafter, the Parent Company or the Company) was incorporated in Pontevedra on 16 August 1989 under the name "Confecciones Udra, S.A.", which changed in 1993 to "Inmobiliaria Udra, S.A.", in June 2008 to "San José Desarrollos Inmobiliarios, S.A." and in June 2016 to "Dos Puntos Desarrollos Inmobiliarios S.A.". On 20 June 2017, the Extraordinary General Shareholders' Meeting of the Company resolved to change its name to "Vía Célere Desarrollos Inmobiliarios, S.A." and to change its registered office and the consequent amendment to the bylaws, with the new registered office at calle Carlos y Guillermo Fernández Shaw 1, 28007 Madrid (Spain).

The Parent Company is the Parent of a group of companies engaging in residential property development activities and which together constitute the Vía Célere Desarrollos Inmobiliarios Group ("hereinafter the Group").

The Group's activity consists of providing the following services through Group companies: the development of all types of real estate; construction in general, whether for its own account or for that of third parties; the purchase and sale of construction, urban development and gardening equipment; the execution of public works in general; and the purchase and sale of all types of property, whether transportable or not, and both rural and urban real estate. The Group's activity is carried out in Spain and Portugal.

In 2017 the Parent Company decided to split its rental business into a newly created company, Dospuntos Asset Management, S.L., which was subsequently transferred by means of a non-monetary contribution to the Company's shareholders.

B. MERGER AGREEMENT BETWEEN AELCA GROUP AND VIA CELERE REAL ESTATE DEVELOPMENTS

On 28 September 2018 the Parent Company signed certain agreements with Myjoja Inversiones, S.L. (hereinafter "minority shareholder"), with the companies Lewistown Invest, S.L.U., Glenwock Invest, S.L.U., Rimbey Spain, S.L.U. and Windham Spain, S.L.U. (hereinafter "the majority shareholders"), with the companies in which the former have an interest, with Aelca Desarrollos Inmobiliarios, S.L. ("Aelca" or "ADI") and with certain of its investees, for which the parties agreed to carry out the following transactions:

i) Acquisition by the Company of the minority shareholdings held by the minority shareholder (minority shareholdings of around 10-20% of the share capital) in Promyva Inmuebles, S.L., Myvain Inmuebles, S.L., Nalentia Urbana, S.L., Inmavy Urbana, S.L., Nirbe Inmuebles, S.L., Nirbe Meseta, S.L. and Nirbe Costa Norte, S.L. (hereinafter referred to as "parent companies"). These parent companies owned 100% of the share capital of 70 residential development companies (hereinafter the "project companies" (see Annex I).

ii) Acquisition by the Company of 100% of the ownership interest held by Aelca in Habitatio Urbana, S.L.U., Campuslar Inmuebles, S.L.U., Novosolum Urbana, S.L.U., Segeslar Inmuebles, S.L.U., Velan Urbana, S.L.U., Generlar Inmuebles, S.L.U. and Numen Inmuebles, S.L.U. (hereinafter "Aelca operating companies").

iii) Merger by absorption of the Company (as absorbing entity) with the parent companies, the project companies of the operating companies of Aelca and Ponsnova Inmuebles, S.L.U. (as absorbed entities), by means of simultaneous execution and in unity of act, with extinction of all of them and block transfer of their respective assets to the absorbing entity, which acquires by universal succession the totality of the rights and obligations of the former. In consideration of the merger operation majority shareholders received shares of the Company equivalent to 80-90% of the share capital in the absorbed entities through a non-monetary contribution (issuance and delivery of new VCDI shares to these shareholders)).

On 30 October 2018, the transaction was authorized by the Comisión Nacional del Mercado y Competencia (CNMC) and approved by the Company's Extraordinary General Shareholders' Meeting on 31 October 2018.

As a preliminary step to executing the transactions indicated in points i, ii and iii, on 2 January 2019 the Parent Company signed a senior syndicated financing agreement for 223,000 thousand euros as the original borrower, undertaking to comply with certain financial covenant obligations over the term of the loan and relating to its quarterly consolidated financial statements (see Note 18.1.4).

On 9 January 2019, the merger deed was executed and it was registered at the Companies Registry of Madrid on 8 March 2019. The accounting effects of the merger are considered from 1 January 2019 as a transaction under common control (See Note 7).

Therefore, this merger by absorption implied (i) the dissolution and extinction of the absorbed entities, and (ii) the block transfer of their corporate assets to the Company that acquires, by universal succession, all the rights and obligations of the absorbed companies.

The issue of these new shares is equivalent to 48.26% of the Company's capital, while the remaining shareholders of the Company hold shares equivalent to 51.74% of the Company's capital.

The detail of the assets acquired and liabilities assumed at the date of the business combination and the pro-forma consolidated financial statements at 31 December 2018 with those assets and liabilities are detailed in Note 7.

2. Basis of presentation of the consolidated annual accounts and consolidation principles

2.1 Regulatory framework for financial information applicable to the Group

These consolidated annual accounts have been prepared on the basis of the accounting records of the Company and its subsidiaries in accordance with International Financial Reporting Standards adopted by the European Union (EU-IFRS) (the 2018 consolidated annual accounts) in order to give a true and fair view of the consolidated equity and consolidated financial position of the Group at 31 December 2019, of the results of its consolidated operations, of its consolidated cash flows and of the changes in consolidated equity for the year then ended.

The Parent's Board of Directors considers that the consolidated annual accounts for 2019, which were authorised for issue on 19 March 2020, will be approved by the shareholders at the Annual General Shareholders' Meeting without any material changes.

The Group's accounting policies are detailed in Note 4.

a) Changes in accounting policies and breakdowns

The Group applies IFRS 16 (see A) from 1 January 2019. Other new standards are also effective from 1 January 2019, but have no material effect on the Group's consolidated annual accounts.

Due to the transition methods chosen by the Group for the application of these standards, the comparative information in these consolidated annual accounts has not been updated to reflect the requirements of the new standards.

A) IFRS 16 – Leases

The Group is required to adopt IFRS 16 *Leases* from 1 January 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its Consolidated Annual Accounts, as described below.

IFRS 16 introduces a single lease accounting model in the consolidated statement of financial position for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessor continues to classify leases as finance or operating leases.

IFRS 16 supersedes existing lease guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an arrangement contains a lease*, SIC-15 *Operating Leases: Incentives* and SIC-27 *Evaluation of the substance of transactions taking the legal form of a lease*.

Leases in which the Group is a lessee

The Group will recognize new assets and liabilities for its operating leases of office, car rental and work shed. The nature of expenses related to those leases will now change because the Group will recognize a depreciation charge for right-of-use asset and interest expense on lease liabilities.

At year-end there was no significant impact on the Group's finance leases.

At 31 December 2019, the Group's future minimum lease payments under non-cancellable operating leases amounted to 3,211 thousand euro, on an undiscounted basis (see Note 23.8).

Leases in which the Group is a lessor

The impact is not significant for leases in which the Group is the lessor.

Transition to IFRS 16

The Group has chosen to use the exemptions proposed by the standard for leases that end within 12 months of the initial application date and for leases where the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

B) Other standards

The changes in application for the calendar year beginning on 1 January 2019 are as follows

Amendments and/or interpretations	
Amendment to IFRS 9 Advance Cancellation Features with Negative Compensation	This amendment permits the measurement at amortised cost of certain financial assets that can be cancelled early for an amount that is less than the outstanding amount of principal and interest on that principal.
IFRIC 23 Uncertainty in Tax Treatment	This interpretation clarifies how to apply the recording and measurement criteria in IAS 12 when there is uncertainty about the tax authority's acceptability of a particular tax treatment used by the entity.
Amendment to IAS 28 Long-term Interest in Associates and Joint Ventures	It clarifies that IFRS 9 should be applied to long-term interests in an associate or joint venture to which the equity method is not applied.
Amendment to IFRS 3 Business Combinations - Annual Improvement Cycle 2015-2017	Acquisition of control over a business previously registered as a joint venture.
Amendment to IFRS 11 Joint Ventures - Annual Improvement Cycle 2015-2017	Acquisition of joint control over a joint operation constituting a business.
Amendment to IAS 12 Income Taxes - Annual Improvement Cycle 2015-2017	Recording the tax impact of the remuneration of financial instruments classified as equity.
Amendment to IAS 23 Borrowing Costs - Annual Improvement Cycle 2015-2017	Capitalisation of interest on outstanding financing specific to an asset that is ready for use.
Amendment to IAS 19 Modification, Reduction or Liquidation of a Plan	It clarifies how to calculate the cost of the service for the current period and the net interest for the rest of an annual period when there is a modification, reduction or settlement of a defined benefit plan.

The amended standards and interpretations have not had a significant impact on the Group's consolidated annual accounts.

b) Standards and interpretations issued but not yet effective

The new standards, amendments and interpretations that must be applied in years subsequent to the calendar year beginning on 1 January 2019 are:

Approved for use in the European Union		
Amendment to IFRS 3 Definition of Business	Clarifications to the definition of business	01 January 2020
Not yet approved for use in the European Union at the date of formulation		
IFRS 17 Insurance contracts	It replaces IFRS 4 and sets out the principles for the recording, measurement, presentation and disclosure of insurance contracts with the aim of enabling an entity to provide relevant and reliable information to enable users of financial information to determine the effect of insurance contracts on the financial statements.	2 January 2021 (1)
Amendments to IAS 1 and IAS 8 Definition of 'Materiality'	Amendments to IAS 1 and IAS 8 to align the definition of 'materiality' with that contained in the conceptual framework	01 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 Reference Interest Rate Reform	Amendments to IFRS 9, IAS 39 and IFRS 7 related to the ongoing reform of the benchmarks.	01 January 2020

(1) The IASB has proposed that it be postponed to 1 January 2022

These approved and pending approval standards and interpretations are not expected to have a significant impact on the Group's consolidated annual accounts in 2020.

2.2 Comparison of information

In accordance with current corporate legislation, these consolidated annual accounts present, for comparative purposes, the information for the year ended 31 December 2018.

When comparing the figures for 2019 with those for 2018, the impacts of the business combination described in Note 7 should be taken into account.

2.3 Basis of measurement

These 2019 consolidated annual accounts have been prepared on the historical cost basis except for the following exceptions, when applicable:

- Assets, liabilities and contingent liabilities acquired in business combinations, which are recognised at fair value, provided that it is not a transaction under common control.
- Derivative financial instruments, which are recognised at fair value.

2.4 Relevant accounting estimates, assumptions and judgements used when applying accounting principles

The information contained in these 2019 consolidated annual accounts is the responsibility of the Company's board of directors.

These 2019 Consolidated Annual Accounts have certain relevant accounting estimates, judgements and assumptions that must be made when applying the Group's accounting policies. In this regard, the areas requiring a greater degree of judgement or which are more complex, and the areas in which the assumptions and estimates made are significant considering the 2019 consolidated annual accounts as a whole, are summarised below:

- Significant estimates and assumptions

  - Impairment of inventories: assumptions used to calculate recoverable amounts. The comparative method of valuation (of finished products) and static and dynamic residual methods (for land and developments in progress) are used to calculate inventories' fair value. Key assumptions for determining these values include growth rates of sale prices, constructions costs, discount rates and expected investment returns. The estimates, including the methodology used, may have a significant impact on the values and on impairment. For this reason, the Group uses valuations made by prestigious independent experts for the inventories (see Note 4.l).

  - Recognition and measurement of provisions and contingencies: assumptions used to determine the probability of occurrence and the estimated amounts of outflows of resources (see Note 4.n).

  - The assessment of recoverable amounts of tax credits (See Note 4.o). The tax credits generated in corporate income tax are capitalised when it is probable that the Group will have future taxable profits that allow the application of these assets. Management makes estimates of the tax benefits of the tax group and the recoverability of the capitalised tax credits. The Group has recognised deferred tax assets at 31 December 2019 amounting to 75,002 thousand euros (71,089 thousand euros at 31 December 2018) relating to deductible temporary differences and part of the tax loss carryforwards (see Notes 4.o and 21).

- Changes in estimates

  These estimates were made on the basis of the best information available at 31 December 2019. However, future events may require them to be modified *(upwards or downwards)* in subsequent years. Under IAS 8, any change in accounting estimates is accounted for prospectively and the impact of changes in estimates is recognised in the consolidated profit and loss statement for the year of the change.

  No significant changes have occurred during financial year 2019 to the estimates made at the end of financial year 2018.

- Determination of fair values

  Certain Group accounting policies and details require the measurement of fair values, for both financial and non-financial assets and liabilities.

  The valuation of the inventories is subject to significant unobservable criteria and adjustments in their valuation.

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

  - The fair values of interest rate derivatives are determined using a discounted cash flow analysis based on the rates implied on the yield curve according to market conditions. To measure the fair value of the interest rate derivatives (swap or IRS), the Group uses an internal IRS model, employing long-term swaps and Euribor market curves as inputs.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: measurements derived from (unadjusted) quoted prices in active markets for identical assets or liabilities.
- Level 2: measurements derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability can be categorised within different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the year in which the change takes place.

The following Notes contain more information on the assumptions used in determining fair values:

- Notes 14 and 18: Short and long-term financial assets and liabilities.

2.5 Functional and presentation currency

These consolidated annual accounts are presented in thousands of euros. The euro is the functional currency of the economic area in which the Group operates.

2.6 Companies included in the scope of consolidation

a) Subsidiary companies

The companies included in the scope of consolidation are as follows:

Name	Audit firm	Registered Office	Activity	Thousands of Euros Cost of ownership interest (*)	Percentage of ownership interest
Copaga, S.A.	Unaudited	C/Carlos y Guillermo Fernández Shaw nº 1, Madrid	Real estate development	-	100%
Udralar, S.L.U.	KPMG Spain	C/Carlos y Guillermo Fernández Shaw nº 1, Madrid	Real estate development	-	100%
Torok Investment 2015, S.L.U.	Unaudited	C/Carlos y Guillermo Fernández Shaw nº 1, Madrid	Real estate development	7	100%
Udrasur Inmobiliaria, S.L.U.	Unaudited	C/Carlos y Guillermo Fernández Shaw nº 1, Madrid	Real estate development	-	100%
Douro Atlántico, S.A.	KPMG Portugal	Rua Castilho nº 13 D. Edificio Espaço Castilho nº 6-D, Lisboa.	Real estate development	6.944	100%
Parquesoles Inversiones Inmobiliarias Y Proyectos, S.A.	KPMG Portugal	Rua Castilho nº 13 D. Edificio Espaço Castilho nº 6-D, Lisboa.	Real estate development	10.171	100%
Maywood Invest, S.L.U.	KPMG Spain	C/Carlos y Guillermo Fernández Shaw nº 1, Madrid	Real estate development	12.110	100%
Vía Célere, S.L.U.	KPMG Spain	C/Carlos y Guillermo Fernández Shaw nº 1, Madrid	Real estate development	31.914	100%
Vía Célere 1, S.L.U.	Unaudited	C/Carlos y Guillermo Fernández Shaw nº 1, Madrid	Real estate development	-	100%
Vía Célere 2, S.L.U.	Unaudited	C/Carlos y Guillermo Fernández Shaw nº 1, Madrid	Real estate development	7.336	100%
Vía Célere Catalunya S.L.U.	Unaudited	C/Carlos y Guillermo Fernández Shaw nº 1, Madrid	Real estate development	16.180	100%
Vía Célere Gestión de Proyectos, S.L.U.	KPMG Spain	C/Carlos y Guillermo Fernández Shaw nº 1, Madrid	Building contractor	381	100%
Conspace, S.L.U.	Unaudited	C/Carlos y Guillermo Fernández Shaw nº 1, Madrid	Building contractor	1	100%

(*) Cost of the Parent's ownership interest in each investee at 31 December 2019

In 2019, Douro Atlántico, S.A. and Parquesoles Inversiones Inmobiliarias y Proyectos, S.A. changed their registered offices to Rua Castilho nº 13 D. Edificio Espaço Castilho nº 6-D, Lisbon.

In 2018, Copaga, S.A.U. changed its registered office to Calle Carlos y Guillermo Fernández Shaw nº 1, Madrid.

In 2019 and 2018 there were no changes to the scope of consolidation.

b) Associated entities

The associates included in the scope of consolidation at 31 December 2019 are as follows:

Name	Audit firm	Registered Office	Activity	Thousands of Euros Cost of ownership interest (*)	Percentage of ownership interest
Célere Forum Barcelona, S.L.	KPMG Spain	C/Carlos y Guillermo Fernández Shaw nº 1, Madrid	Real estate development	12,682	50%

(*) Cost of the investment recognised in the Parent at 31 December 2019.

In 2019 and 2018, there were no changes to the scope of consolidation.

3. Distribution of the Parent Company's profit

The Parent company's profit for 2019 amounted to 1,817,948.12 euros, the proposed distribution of which was made by the administrative body and is pending approval by the General Shareholders' Meeting, the offsetting of losses from previous years amounting to 1,636,153.31 euros and the allocation to the legal reserve amounting to 181,794.81 euros.

The distribution of the Parent's profit for 2018, approved by the General Shareholders' Meeting on 30 May 2019, was to set aside the legal reserve in the amount of 9,096,273 euros and to offset the losses of previous years by 81,866,457 euros.

The amount of the non-distributable reserves is limited to the balance of the legal reserve, which amounts to 29.908 thousand euros at 31 December 2019 and 2018

There are no significant limitations on the distribution of dividends, except that the total equity remaining after the distribution of any dividend must not fall below half of the share capital.

4. Accounting policies

The accounting policies set out below have been applied consistently in the consolidated annual accounts.

a) Consolidation basis

Subsidiaries

Subsidiaries, including structured entities, are defined as entities over which the Parent exercises control, either directly or indirectly through subsidiaries. The Parent controls a subsidiary when it is exposed to or entitled to variable returns and when it has the ability to influence those returns. The Parent has capacity when it holds sufficient voting rights to provide it with the ability to manage the significant business activities of the investee. The Parent is exposed to, or is entitled to, variable returns from its involvement in the subsidiary when the returns it obtains from such involvement may vary depending on the economic performance of the entity (IFRSs 10.6, 10 and 15).

The income, expenses and cash flows of the subsidiaries are included in the consolidated annual accounts from the date of acquisition, which is the date on which the Group effectively obtains control over them. Subsidiaries are excluded from consolidation from the date on which control is lost.

Transactions and balances with Group companies and unrealised gains or losses have been eliminated in the consolidation process. However, unrealised losses have been considered as an indicator of impairment of the transferred assets.

The accounting policies of the subsidiaries have been adapted to the Group's accounting policies for transactions and other events in similar circumstances.

The annual accounts of the subsidiaries used in the consolidation process refer to the same reporting date and period as those of the Parent Company.

Business combinations

The Group applies the acquisition method in business combinations. The acquisition date is the date on which control of the acquiree is obtained.

The consideration given for a business combination is calculated as the sum of the fair values of the assets transferred at the acquisition date, the liabilities incurred or assumed, the equity instruments issued and any contingent payments on future events or the fulfilment of certain conditions in exchange for control of the acquiree.

The consideration given does not include any payment that is not part of the exchange of the acquired business. Acquisition costs are recognised as an expense when they are incurred.

At the acquisition date, the Group recognises the assets acquired and the liabilities assumed at fair value. Minority interests in the company acquired are recognised for the proportional share in the fair value of the net assets acquired. The criterion applies only to minority interests that provide access at that time to the economic benefits and the right to a pro rata share of the net assets of the acquiree in the event of liquidation.

Except for lease and insurance contracts, assets acquired and liabilities assumed are classified and designated for subsequent measurement on the basis of contractual agreements, economic terms, accounting and operating policies and any other conditions existing at the date of acquisition.

The difference (excess) between the consideration paid plus the value assigned to minority interests and the net amount of the assets acquired and liabilities assumed is recognised as goodwill. After assessing the consideration paid, the value assigned to minority interests and the identification and measurement of the net assets acquired, any difference is recognised in consolidated profit or loss.

Associated entities

These are entities over which the Group has the capacity to exercise significant influence, without effective control or joint management. This ability is usually manifested in a holding (direct or indirect) of 20 % or more of the voting rights of the investee.

The Group's investments in associates are accounted for in the consolidated annual accounts using the equity method from the date on which significant influence commences until the date on which influence ceases. Gains and losses resulting from transactions with an associate are eliminated to the extent of the Group's interest in the associate, less any impairment of individual interests.

Any excess of the cost of acquisition over the portion of the fair values of the identifiable net assets of the associate attributable to the Group at the date of acquisition is recognised as goodwill, which is included in the carrying amount of the investment. Any deficiency of the cost of acquisition in relation to the portion of the fair values of the identifiable net assets of the associate held by the Group at the date of acquisition is recognised in consolidated profit or loss in the year of acquisition.

If, as a result of losses incurred by an associate, its equity were negative, the Group's consolidated statement of financial position would include a zero value, unless the Group had an obligation to provide financial support for the associate.

Note 2.6.b to these consolidated financial statements for 2019 details the associates included in the scope of consolidation and the information relating to these companies.

Impairment

The Group applies the criteria for impairment described in the accounting policy for financial instruments to determine whether additional impairment losses to those already recognised on the net investment in the associate, or on any other financial asset held as a result of applying the equity method, should be recognised.

The Group applies the criteria indicated in the accounting policy for financial instruments, including valuation adjustments for impairment to other financial instruments to which the equity method is not applied, including those that form part of the net investment in the associated entity.

Impairment is calculated by comparing the carrying amount of the net investment in the subsidiary with its recoverable amount. Recoverable value is the higher of value in use and fair value less costs to sell. In this regard, value in use is calculated on the basis of the Group's share of the present value of the estimated cash flows from ordinary activities and the income generated on the final disposal of the associate.

No impairment losses are assigned to goodwill or other assets implicit in the investment in associates arising from the application of the equity method. In subsequent years, reversals of investments are recognised in consolidated profit and loss to the extent that the recoverable amount increases. Impairment losses are presented separately from the Group's share of the results of associates.

Joint ventures

Investments in joint ventures are accounted for using the equity method. This method involves including the value of the net assets and any possible goodwill relating to the interest in the joint venture of companies accounted for using the equity method in the consolidated statement of financial position. The net annual profit/(loss) corresponding to the percentage interest in joint ventures is reflected in the consolidated income statement as profit/(loss) for the year of the companies carried by the equity method.

The distribution of dividends from joint ventures is recorded as a decrease in the value of the investments. Joint venture losses attributable to the Group are limited to the extent of its net investment, unless the Group has legal obligations or payments have been made on behalf of the joint ventures.

Minority shareholder interests

Minority interests are initially measured by the proportional interest in the identifiable net assets of the acquired company at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Foreign currency transactions and balances

(i) Foreign currency transactions and balances

Foreign currency transactions are translated to the functional currency by applying the spot exchange rates between the functional currency and the foreign currency at the dates when the transactions take place.

Monetary assets and liabilities denominated in foreign currencies were translated to euros at the year-end exchange rate, while non-monetary assets and liabilities measured at historical cost were translated at the exchange rates applied on the date of the transaction. Finally, non-monetary assets that are valued at fair value have been translated into euros at the exchange rate on the date when the asset was recorded.

In the presentation of the consolidated cash flow statement, the flows from transactions in foreign currency are translated to euros at the exchange rates prevailing on the date on which the flows occurred.

Differences resulting from the settlement of foreign currency transactions and the translation to euros of monetary assets and liabilities denominated in foreign currencies are recognized in consolidated income. However, exchange differences arising on monetary items forming part of the net investment in foreign operations are recorded as translation differences in other comprehensive income.

During 2019 and 2018, the Group has not carried out any relevant transactions in foreign currency.

c) Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- dividend income;
- the net gain or loss on financial assets at FVTPL;

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets impaired after initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer impaired, the calculation of interest income returns to the gross basis.

d) Borrowing costs

The Group includes in the cost of intangible assets, property, plant and equipment, investment property and inventories that require a period of more than one year to be ready for use, operation or sale, the borrowing costs related to specific or generic financing directly attributable to the acquisition, construction or production.

To the extent that financing has been specifically obtained, the amount of interest to be capitalised is determined on the basis of the related financial expenses incurred during the year, less the returns obtained on investments of temporary funds. In cases where the financing has not been used temporarily to fund assets under construction, the related financial expenses are not capitalised. The amount of interest to be capitalised relating to general non-trade financing is determined by applying a weighted average interest rate to the investment in progress, discounting the portion specifically financed, up to the limit of total accumulated interest expense in the consolidated income statement.

The capitalisation of interest begins when the interest on the expenses related to the inventories has been incurred and the activities necessary to prepare the assets, or part of them, for their intended use or sale are being carried out, and ends when all or substantially all the activities necessary to prepare the assets or part of the assets for their intended use or sale have been completed. However, the capitalisation of interest is suspended during periods of interrupted activity if those periods are significantly extended, unless the temporary delay is necessary to bring the asset into operating condition or to sell it.

The capitalisation of interest is recognised under "Finance Costs" in the consolidated income statement (see Note 23.10).

e) Intangible assets

As a general rule, intangible assets are recognised initially at acquisition or production cost and subsequently at cost less accumulated amortisation and accumulated impairment losses. These assets are depreciated over their useful lives.

i) Goodwill

Goodwill is the excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill is tested for impairment annually and is measured at cost less accumulated impairment. The gain or loss on the sale of an entity includes the carrying amount of goodwill related to the entity sold.

ii) IT applications

Computer applications acquired and developed by the Group, including website development expenses, are recognised to the extent that they meet the conditions indicated for development expenses. Expenditure on the development of a website for promotional purposes or to advertise the Group's products or services is recognised as an expense when incurred. IT maintenance expenses are expensed as incurred.

iii) Patents, licenses, trademarks and similar

The Group has recorded in this account the costs incurred in the new image and brand.

iv) Depreciation

Computer software, patents, licenses, trademarks and similar items are amortised on a straight-line basis over their useful lives at the following rates

Description	Years	Rate
Patents, licenses, brands and similar	10	10%
Computer software	4	25%

The Group evaluates and determines impairment losses and reversals of impairment losses on intangible assets in accordance with the criteria set out in Note 4-h.

f) Property, plant and equipment

i) Initial recognition

Property, plant and equipment are recognised at cost or deemed cost, less any accumulated depreciation and any accumulated impairment loss.

The cost of assets comprises the acquisition price, less trade discounts or rebates, and plus any costs directly related to locating the asset in its intended use and to establishing conditions necessary for it to be capable of operating in the manner intended by the governing body, the initial estimate of the costs of dismantling or removing the asset and restoring the plot where it is located, provided that they constitute obligations incurred as a result of use and for purposes other than the production of inventories.

Any gain or loss on the sale of an item of property, plant and equipment (calculated as the difference between the profit obtained and the carrying value of the item) is recognized in consolidated income.

ii) Subsequent costs

Subsequent expenses are capitalised only when it is probable that future economic benefits related to the expense will flow to the Group. Ongoing repair and maintenance expenses are recorded as expenses when incurred.

iii) Depreciation

Depreciation of tangible fixed assets is carried out on a straight-line basis over their useful life. For these purposes, the depreciable amount is understood to be the cost of acquisition less its residual value.

Items are depreciated from the date they are installed and ready for use.

Depreciation of assets is determined as follows:

Description	Rate
Buildings	2%
Plant and machinery	10%-33%
Other property, plant and equipment	20%-25%

The Group reviews the residual value, useful life and depreciation method of property and equipment at the end of each year. Possible modifications to the initial criteria are recognised as a change in estimate.

The Group assesses and determines the losses and reversals of impairment losses on non-financial assets in accordance with the criteria set forth in Note 4-h.

g) Investment property

Investment property is property (including property in progress or under development for future use as investment property) that is held wholly or partly to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for sale in the ordinary course of business. Investment property is initially recognised at cost, including any transaction costs.

Rental income is recognised as indicated in Note 4.p.

The interest and other financial expenses incurred during the construction period of the buildings intended to be rented and accrued for the specific financing received for that purpose are considered as capitalisation of the corresponding buildings. No amount was recognised in this connection in 2019 and 2018.

The same criteria are used for the measurement, depreciation and amortisation of investment property, the estimation of its respective useful lives and the recognition of any impairment losses as those described in relation to property, plant and equipment, as indicated in Note 4-f.

The Group reclassifies an investment property to property, plant and equipment when it begins to use the property in the production or supply of goods or services, or for administrative purposes.

The Group reclassifies an investment property to inventories when it commences work to produce a substantial transformation of the property with the intention of selling it.

The Group reclassifies property, plant and equipment to investment property when it ceases to use the property in the production or supply of goods or services, or for administrative purposes, and uses it to obtain income or capital gains or both.

The Group reclassifies an existence to investment property when the property becomes the subject of an operating lease.

h) Impairment of non-financial assets subject to amortisation and depreciation

The Group evaluates whether there is any indication that non-financial assets (except inventories and deferred tax assets) subject to depreciation or amortisation may be impaired, in order to ascertain whether their carrying amount exceeds their recoverable amount, which is taken to be the higher of fair value less costs to sell and value in use.

Impairment losses are recognised in the consolidated income statement.

The recoverable amount should be calculated for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

The Group assesses at each closing date whether there is any indication that the impairment loss recognised in prior years no longer exists or may have decreased. Impairment losses on goodwill, if any, are not reversible. Impairment losses on other assets are only reversed if there has been a change in the estimates used to determine the asset's recoverable value.

The reversal of the impairment loss is recognised with a credit to the consolidated income statement. However, the reversal of the loss cannot increase the carrying amount of the asset above the carrying amount that it would have had, net of amortisation, had no impairment been recognised.

Once the valuation adjustment for impairment or reversal has been recognised, the amortisation of subsequent years is adjusted to the new carrying amount.

However, if the specific circumstances of the assets reveal a loss that is irreversible, this loss is recognised directly as a loss on non-current assets in the consolidated income statement.

i) Leasing

(i) *<u>Identifying a lease</u>*

The Group assesses at the beginning of a contract whether it contains a lease. A contract is or contains a lease, if it grants the right to control the use of the identified asset for a period of time in exchange for consideration. The period of time during which the Group uses an asset includes both consecutive and non-consecutive periods of time. The Group only re-evaluates the conditions when there is a change in the contract.

(ii) *<u>Lessor accounting</u>*

The Group has ceded the right to use property under lease agreements.

Leases in which the Group transfers substantially all the risks and rewards of ownership of the assets to third parties are classified as finance leases. Otherwise, they are classified as operating leases.

Operating leases

Assets leased to third parties under operating leases are presented according to their nature after applying the accounting principles described in Notes 4-f and 4-g (Property, plant and equipment and investment property).

Revenue from operating leases, net of incentives granted, is recognised as revenue on a straight-line basis over the lease term, unless another systematic basis of distribution is more representative because it more appropriately reflects the time pattern of consumption of the benefits arising from the use of the leased asset.

Incentives included in operating leases, as well as grace periods, should be recorded as a reduction in income over the lease period on a straight-line basis, without prejudice to the share resulting from the application of the incentive. In any event, the accrual will commence when the Group relinquishes control of the asset, which is when the relevant contracts are signed.

The initial direct costs of the lease are included in the carrying amount of the leased asset and are recognised as an expense over the lease term by applying the same criteria as those used in revenue recognition.

(iii) <u>Lessee accounting</u>

The Group has opted not to apply the accounting policies indicated below to short-term leases and those in which the underlying asset has a value of less than 5 thousand euros.

For this type of contract, the Group recognises payments on a straight-line basis over the term of the lease.

The Group recognises at the inception of the lease a right of use asset and a lease liability. The asset for right of use consists of the amount of the lease liability, any lease payments made on or before the commencement date, less incentives received, initial direct costs incurred and an estimate of any decommissioning or restoration costs to be incurred, as indicated in the accounting policy for provisions.

The Group values the lease liability at the present value of the lease payments that are outstanding at the commencement date. The Group discounts lease payments at the appropriate incremental interest rate unless it can reliably determine the lessor's implicit interest rate.

Outstanding lease payments consist of fixed payments, less any incentive to collect, variable payments dependent on an index or rate, initially valued at the index or rate applicable on the commencement date, amounts expected to be paid for residual value guarantees, the exercise price of the purchase option whose exercise is reasonably certain, and payments for termination indemnities, provided that the lease term reflects the exercise of the termination option.

The Group values the assets for right of use at cost, less accumulated depreciation and impairment losses, adjusted by any re-estimation of the lease liability.

If the contract transfers ownership of the asset to the Group at the end of the lease term or the asset by right of use includes the price of the purchase option, the depreciation methods indicated in the section on property, plant and equipment are applied from the start of the lease term to the end of the asset's useful life. Otherwise, the Group depreciates the asset by right of use from the start date to the earlier of the useful life of the right or the end of the lease term.

The Group applies the criteria for impairment of non-current assets indicated in section 4.h to the asset for right of use.

The Group values the lease liability by increasing it by the interest expense accrued, decreasing it by the payments made and re-estimating the carrying amount by the changes in the lease or to reflect the updating of the fixed payments in substance.

The Group records the variable payments that have not been included in the initial measurement of the liability in the income statement for the period in which the events that trigger their disbursement occur.

The Group records the re-estimations of the liabilities as an adjustment to the right-of-use asset, until it is reduced to zero and subsequently in results.

The Group re-estimates the lease liability by discounting the lease payments at a discounted rate if there is a change in the lease term or a change in the expectation of exercising the underlying asset purchase option.

The Group re-estimates the lease liability if there is a change in the expected amounts payable on a residual value guarantee or a change in the index or rate used to determine the payments, including a change to reflect changes in market rents after a review of the rents.

The Group recognises a modification of the lease as a separate lease if it increases the scope of the lease by adding one or more rights of use and the amount of the consideration for the lease increases by an amount consistent with the individual price for the increase in scope and any adjustment to the individual price to reflect the particular circumstances of the contract.

If the amendment does not result in a separate lease, at the date of the amendment, the Group assigns the consideration to the amended contract as indicated above, redetermines the lease term and re-estimates the value of the liability by discounting the revised payments at the revised interest rate. The Group decreases the carrying amount of the asset by right of use to reflect the partial or total termination of the lease in the event of changes that reduce the scope of the lease and records the gain or loss in the income statement. For all other changes, the Group adjusts the book value of the asset by right of use.

j) Financial instruments

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Financial assets. Classification and further measurement

At initial recognition, IFRS 9 contains three main categories in the classification of financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, embedded derivatives in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financials instrument as a whole is assessed for classification.

Financial Assets	**Classification under IAS 39**	**New classification under IFRS 9**
Investment in Associates	Available for sale	FVTPL
Loans and receivables	Loans and receivables	Amortised cost
Cash and Cash equivalent	Loans and receivables	Amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Assessment whether contractual cash flows are solely payments of principal and interest: For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument.

Subsequent measurement:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

(iii) *Financial liabilities. Classification, subsequent measurement and gains and losses*

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in the income statement.

(iv) *Basis of offsetting*

A financial asset and a financial liability are only off-set when the Group has a legally enforceable right to offset the recognised amounts and has the intention of liquidating the net amount or of realising the asset and settling the liability simultaneously.

(v) *Derecognition*

Financial assets are derecognised when the rights to receive the related cash flows have expired or have been transferred, and the Group has substantially transferred the risks and rewards incidental to their ownership.

Full derecognition of a financial asset involves recognition of a gain/loss arising from the difference between its carrying amount and the total consideration received, net of transaction costs, including assets obtained or liabilities accepted, and any deferred gain or loss in recognised income and expense under equity.

A financial liability, or part of it, is derecognised when the Group either discharges the liability or is legally released from primary responsibility for the liability either by process of law or by the creditor.

The Group recognises the difference between the carrying amount of the financial liability, or part thereof, cancelled or transferred to a third party and the consideration paid, including any asset transferred different to the cash or liability assumed, charged or credited to the income statement.

(vi) *Impairment of financial assets*

IFRS 9 replaces the "incurred loss" model in IAS 39 with a forward-looking "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The Group recognises in the consolidated income statements a value adjustment due to expected credit losses of the financial assets valued at amortised cost, fair value with changes in other comprehensive income, accounts receivable for financial leases, assets by agreement, loan commitments and financial guarantees.

For the financial assets appraised at fair value with changes in other comprehensive income, the expected credit loss is recognised in other comprehensive income and the fair value of the assets is not reduced.

At each closing date, the Group values the valuation adjustment at an amount equal to the expected credit losses over the following twelve months, for financial assets for which the credit risk has not significantly increased since the initial recognition date or when it considers that the credit risk of a financial asset has not significantly increased.

At the end of each year, the Group estimates whether the credit risk of an individual instrument or a group of instruments considered collectively has increased significantly since initial recognition.

The Group recognises impairment losses on loans and receivables and debt instruments when a reduction or delay occurs in estimated future cash flows due to the insolvency of the debtor.

In the case of equity instruments, impairment exists when there is a lack of recoverability of the carrying value of the asset due to a prolonged or significant decline in its fair value.

- Impairment of financial assets measured at amortised cost

In the case of financial assets carried at amortised cost, the impairment loss is measured as the difference between the financial asset’s carrying amount and the present value of estimated future cash flows, excluding any future credit losses discounted at the asset’s original effective interest rate. For variable rate financial assets, the effective interest rate for the valuation date is used in accordance with the contractual conditions.

Impairment losses are charged to the consolidated income statement and can be reversed in subsequent years if the decrease can be objectively related to an event subsequent to recognition. However, reversal of the loss is limited to the assets’ amortised cost, if any, if the impairment loss had not been recognised.

(vii) *Financial liabilities*

Financial liabilities, including trade and other payables, that are not classified as held for trading or as financial liabilities at fair value through profit and loss, are initially recognised at fair value, less any transaction costs directly attributable to their issue. Subsequent to initial recognition, liabilities classified in this category are measured at amortised cost using the effective interest method.

However, financial liabilities are measured at their nominal value if they do not have an established interest rate, the amount matures or is expected to be received in the short term and the effect of discounting is not significant.

(viii) *Bonds*

The bonds received as a result of the operating lease contracts are measured in accordance with the criteria set out for financial liabilities. The difference between the amount received and its fair value is recognised as an advance payment and is charged to the consolidated income statement over the lease term.

The bonds provided as a result of operating leases are valued according to the criteria set out for financial assets. The difference between the amount delivered and the fair value is recognised as an advance payment and is charged to the consolidated income statement over the lease term.

In accordance with the legislation of the autonomous communities in which the Group operates, the Group deposits rental and guarantee deposits at government offices that request them to reasonably ensure the guarantees received from the tenants of the investment properties owned by the Group. These bonds are valued according to the criteria for financial assets. The difference between the amount delivered and the fair value is recognised as an advanced collection which it is taken to the consolidated income statement during the term of the lease (during the period in which the service is rendered).

The advances to be applied over the long term are subject to discounting at the close of each financial period depending on the market interest rate at the time of its initial recognition. In the case of short-term guarantees, cash flows are not discounted if their effect is not significant.

(ix) *Hedge accounting*

The Group has elected to adopt the new general hedge accounting model in IFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with the Group’s risk management objective and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

The Group uses over-the-counter (OTC) derivative financial instruments to hedge the variability in cash flows arising from changes in variable interest rate (Euribor) relating to the bank borrowings. At the close of 2019, the fair value of the interest rate derivative is of 1 thousand euros (see Note 18.1.3).

k) Distributions to shareholders and common control transactions

A combination of entities or businesses under common control is not within the scope of IFRS 3 'Business Combinations', as indicated in paragraph 2 of the Standard.

IFRIC 17 "Distributions of Non-cash Assets to Owners" does not apply to a distribution of a non-cash asset that is ultimately controlled by the same party or parties before and after the distribution.

Furthermore, as indicated in paragraph 3 of IFRIC 19 " Extinguishing Financial Liabilities with Equity Instruments", the Group will not apply this Interpretation to transactions in which the creditor is also a direct or indirect shareholder and is acting in its current capacity as a direct or indirect shareholder.

IAS 8, "Accounting policies, changes in accounting estimates and errors", paragraph 10, states that "in the absence of an IFRS that is directly applicable to the transaction, other event or circumstance, management shall apply its judgement in developing and applying an accounting policy".

Consequently, the Company's administrative body has analysed these transactions and concluded the following from an accounting point of view:

- In accounting for acquisitions of subsidiaries between entities under common control, in the case of consideration transferred in the form of cash, the Group applies fair value accounting based on the methodology of IFRS 3, as the acquirer is a separate entity in its own right and should not be confused with the economic group as a whole.

- Dividends, in cash or in kind, are recognised as a reduction in equity when approved by the shareholders at the Annual General Shareholders' Meeting. The liability is recognised at the time the dividend is approved, measured at the fair value of the assets to be delivered. At the settlement date, the difference between the carrying amount of the assets delivered recognised in the consolidated annual accounts under EU-IFRSs at the date of the transaction and the amount of the liability is recognised in reserves in the consolidated statement of changes in equity.

- In accounting for segregation transactions, including distributions in kind, whether in the form of non-monetary assets, businesses or investments in other entities or groups, which are carried out between entities under common control, the Group applies book value accounting.

- The capitalisation of loans granted by shareholders to the Company in the form of equity instruments is not within the scope of IFRIC 19. Therefore, the Group chose as its accounting policy the derecognition of the debt at its carrying amount, recording the equity instrument to be delivered at fair value and recognising the difference between those amounts as a gain or loss in the consolidated income statement. Equity instruments issued should be initially recognised and measured at the date on which the liability arises. IFRS 13 *Fair Value Measurement*was applied in the valuation of newly issued equity instruments.

Acquisitions and disposals that do not give rise to a change of control are accounted for as equity transactions in other reserves and no gain or loss is recognised in the consolidated income statement and goodwill is not remeasured. The difference between the consideration given or received and the decrease or increase in minority interest (non-controlling interest), respectively, is recognised in reserves.

Similarly, when control of a subsidiary is lost, the assets, liabilities and minority interests (non-controlling interests) and other items that might be recognised in accumulated other comprehensive income of the subsidiary are derecognised from the consolidated statement of financial position, and the fair value of the consideration received and of any remaining investment is recognised. The difference between these amounts is recognised in the consolidated income statement.

At 31 December 2019, the Parent had restrictions on the distribution of dividends as a result of the corporate financing agreement signed on 2 January 2019 (see Note 18.1.4).

l) Inventories

This heading in the consolidated statement of financial position includes the assets that the Group holds:

- Maintains for sale in the ordinary course of its business.
- It is under construction or development for sale;
- It is expected to be consumed in the production process or in the provision of services.

Therefore, land and other properties held for sale or for inclusion in a property development in the ordinary course of the Group's business are deemed to be inventories and not for appreciation or rental purposes.

The Group uses the following criteria in the valuation of its inventories:

- Land and plots acquired for disposal or for the development of real estate developments are recorded at their acquisition price, which includes the expenses directly related to their purchase (registration expenses, fees, expenses for studies and technical projects prior to the acquisition of plots, etc.).
- The Group does not capitalise, as an increase in the value of the land and plots, any financial expense accrued on loans obtained to finance their purchase during the period between the date of acquisition and the time when the building licence is applied for.
- As “Property Developments in Progress”, the costs incurred at source in the developments in the execution phase are recorded. These costs include, for each development, the amounts corresponding to the acquisition price of the plot, development and construction costs, as well as other costs directly related to the development (studies and projects, licences, etc.) and the financial expenses accrued by the specific financing obtained during the construction period.

Short-cycle Property Developments in Progress are all those accumulated costs of developments whose completion period is estimated not to exceed 12 months.

At the end of each development, the Group follows the procedure of transferring the cost corresponding to those developments still pending sale from the Property Developments in Progress account to the Completed Property Developments account.

The Group makes the appropriate valuation adjustments and recognises them as an expense in the consolidated income statement when the net realisable value of the inventories is lower than their acquisition price or production cost. This net realisable value is based on valuations performed by an independent expert.

Valuation adjustments and reversals for impairment of inventories are recognised under "Changes in inventories of finished and in-progress goods" or "Supplies", depending on whether they are developments in progress or completed or land and plots of land.

m) Cash and other equivalent liquid assets

Cash and cash equivalents include cash on hand and in demand deposits at banks. This also includes other short-term, highly liquid investments provided they can readily be converted to specific cash amounts and where the risk of change in value is insignificant.

This item includes cash and banks received as advances from the customer and deposited in a special account separately from the rest of the Group's funds allocated to cover the costs arising from the corresponding development.

n) Provisions and contingencies

In preparing the consolidated annual accounts, the Parent's management body differentiates between

a) Provisions: credit balances covering current obligations arising from past events, the settlement of which is likely to give rise to an outflow of resources, but which are undetermined as to their amount and/or timing.

b) Contingent liabilities: possible obligations arising from past events, the future materialisation of which is conditional on the occurrence or non-occurrence of one or more future events beyond the control of the Group.

The consolidated annual accounts include all the provisions with respect to which it is estimated that the probability that the obligation will have to be met is greater than otherwise. Contingent liabilities are not recognised in the consolidated annual accounts but are disclosed in the Notes to the consolidated annual accounts, unless the possibility of an outflow is considered to be remote.

The amounts recognised in the consolidated statement of financial position for provisions correspond to the best estimate at the closing date of the disbursements required to settle the present obligation, after considering the risks and uncertainties related to the provision and, where significant, the financial effect of the discount, provided that the disbursements to be made in each year can be reliably determined. The discount rate is determined before taxes, considering the time value of money, as well as the specific risks that have not been considered in the future flows related to the provision at each closing date.

The compensation to be received from a third party when the obligation is settled, provided that there is no doubt that such reimbursement will be received, is recorded as an asset, except in the event of a legal link by which part of the risk has been externalised and by virtue of which the Group is not liable. In this situation, the compensation will be taken into account to estimate the amount for which the corresponding provision will be made, if any.

Provisions are reversed in the consolidated income statement when it is not probable that an outflow of resources will be required to settle the obligation.

Contingent liabilities recognized in a business combination

A contingent liability in a business combination is initially recognized at fair value. Subsequently, this contingent liability is recognised until it is settled, cancelled or expires at the higher of the amount initially recognised, less the amounts to be allocated to consolidated profit or loss in accordance with the rule for measuring income from customer contracts and the amount resulting from the rule for measuring provisions.

o) Profit tax

The tax expense or benefit comprises both current and deferred tax.

Assets or liabilities due to current taxes on profits are measured at the amounts expected to be paid to or recovered from the tax authorities, using tax rates and regulations in force or approved and pending publication at year-end.

Current and deferred tax is recognised in profit or loss and included in the consolidated income statement, unless it arises from a transaction or economic event that is recognised, in the same or another year, directly in equity, or from a business combination.

Current tax relating to items recognised directly in equity is recognised in equity and not in the consolidated income statement.

At 31 December 2019, all the Group companies, except for Célere Fórum Barcelona S.L., Douro Atlántico, S.A. and Parquesoles Inversiones Inmobiliarias y Proyectos S.A., belonged to a tax group for income tax purposes, of which the Parent was the head.

The corporate taxes payable by companies filing a consolidated return are determined taking into account, in addition to the corresponding parameters for individual taxation, the following:

- Temporary and permanent differences arising from the elimination of gains or losses on transactions between companies in the tax group arising from the process of determining the consolidated tax base.
- The deductions and allowances corresponding to each company in the tax group under the consolidated tax return regime. For these purposes, the deductions and allowances are allocated to the company that carried out the activity or obtained the yield necessary to obtain the right to the tax deduction or allowance.

Temporary differences arising from the elimination of profit or loss between companies in the tax group are recognised in the company that generated the profit or loss and are measured at the tax rate applicable to it.

As a result of the negative tax results from some of the companies in the tax group that have been offset by the other companies in the tax group, a reciprocal credit and debit arises between the companies to which they correspond and the companies that offset them. In the event that there is a tax loss that cannot be offset by other companies in the consolidated tax group, the tax credits for offsetting losses are recognised as deferred tax assets and the tax group is considered the taxpayer for recovery purposes.

The Parent Company records the total amount payable (refundable) for consolidated corporate income tax with a charge /(credit) to Credits (Debts) with group companies and associates.

The amount of the debt/(receivable) corresponding to the subsidiaries is recorded with a credit/debit to accounts receivable/payable from Group and associated companies.

(i) *Recognition of deferred tax liabilities*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

(ii) *Recognition of deferred tax assets*

The Group recognises deferred tax assets provided that

- It is likely that there will be sufficient future taxable profits to offset them or when tax legislation provides for the possibility of future conversion of deferred tax assets into a receivable from the government. However, assets that arise from the initial recognition of assets or liabilities in a transaction that is not a business combination and that at the date of the transaction affects neither accounting profit nor taxable profit are not recognised;

- Relate to temporary differences relating to investments in subsidiaries, associates and joint ventures to the extent that the temporary differences will reverse in the foreseeable future and future taxable profit is expected to be generated to offset the differences.

The Group recognises the conversion of a deferred tax asset into a receivable from the government when it becomes due under current tax legislation. For this purpose, the derecognition of the deferred tax asset is recognised with a charge to the deferred income tax expense and the account receivable is recognised with a credit to current income tax. Similarly, the Group recognises the exchange of a deferred tax asset for government debt securities when title is acquired.

The Group recognises the payment obligation arising from the provision of equity as an operating expense with a credit to the government debt.

It is considered probable that the Group has sufficient taxable profits to recover deferred tax assets provided that there are sufficient taxable temporary differences related to the same tax authority and relating to the same taxpayer that are expected to reverse in the same tax year in which the deductible temporary differences are expected to reverse or in years in which a tax loss arising from a deductible temporary difference can be offset against prior or subsequent gains. When the only future taxable temporary differences arise, deferred tax assets arising from offsetting tax losses are limited to 70% of the amount of deferred tax liabilities recognized.

In order to determine future taxable profits, each Group takes tax planning opportunities into account whenever it intends to adopt them or is likely to adopt them.

(iii) *Valuation of deferred tax assets and liabilities*

Deferred tax assets and liabilities are measured at the tax rates that will apply to the years when the assets are expected to be realised or the liabilities are expected to be settled, based on the regulations and rates that are substantially effective or approved, and after considering the tax consequences that will arise from the manner in which each company expects to recover the assets or settle the liabilities. For these purposes, each Group considered the deduction for reversal of temporary measures developed in transitional provision thirty-seven of Law 27/2014, of 27 November, on Corporate Income Tax, as an adjustment to the tax rate applicable to the deductible temporary difference associated with the non-deductibility of depreciation in 2013 and 2014.

The Group reviews the carrying amount of deferred tax assets at the end of the year to reduce the value of these assets to the extent that it is not probable that there will be any future taxable income to offset them.

Deferred tax assets that do not meet these conditions are not recorded in the consolidated statement of financial position. At the end of the year, the Group reconsiders whether the conditions for recognition of deferred tax assets that had not been previously recognised are met.

(iv) *Compensation and classification*

The Group only offsets deferred tax assets and liabilities when it has a legal right to do so and the assets and liabilities relate to the same tax authority and the same taxpayer, or to different taxpayers who expect to settle or realise current tax assets and liabilities for their net amount, or to realise the assets and settle the liabilities simultaneously, in each of the future years in which significant deferred tax assets or liabilities are expected to be settled or recovered.

Deferred tax assets and liabilities are recognised in the consolidated statement of financial position as non-current assets or liabilities, irrespective of the expected date of realisation or settlement.

Tax benefits acquired as part of a business combination that do not meet the criteria for separate recognition at that date will be recognised subsequently if information about the facts and circumstances changes. The adjustment is treated as a reduction of goodwill (provided that it does not exceed such goodwill) if it was incurred during the measurement period, or is recognised in the consolidated income statement.

p) Income from rent, sale of goods and provision of services

Sales of goods

The Group recognizes the income upon delivery of the property to the customer, although three different documents are signed throughout the process (the pre-reservation and/or reservation, and the private deed of sale contract). Upon delivery, the customer accepts the property and the related risks and rewards of ownership transfer. Revenue is recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

Customer advances

Customers make advances on the future delivery of the homes, which are recognised as a contractual liability. Since the period between delivery of the advance and recognition of the income exceeds twelve months, the Group recognises a finance charge with a credit to the liability from the time when the advance is collected until the income is recognised. The interest rate used to recognise the interest expense is determined by the Group's incremental interest rate. However, since customer advances are specifically used to finance work in progress, financial expenses are capitalised in inventories in progress, as indicated in section 4.l.

Consequently, the application of IFRS 15 resulted in the recognition of 4,746 thousand euros (31 December 2018: 1,980 thousand euros) under "Inventories" to recognise the aforementioned financial component (see Note 15).

Commissions

In some property developments there are commissions for sales that are granted to a third party. These commissions are normally charged to property developments within the indirect costs charged. The commissions are specific to each contract and would not have been incurred if the contract had not been obtained. These commissions arise at two moments: at the signing of the private purchase contract and at the formalisation of the deed of sale. The second part of the commission is paid at the moment of the transfer of control. IFRS 15 requires incremental costs of obtaining a contract and certain costs to fulfil a contract to be recognized as an asset if certain criteria are met. Any capitalised contract costs assets must be amortised on a systematic basis that is consistent with the entity's transfer of the related goods or services to the customer.

q) Short-term employee benefits and severance indemnities

The Group recognises the expected cost of short-term benefits in the form of remunerated leave, the rights of which accrue as the employees render the services that entitle them to receive them. If permits are not cumulative, the expense is recognised as the permits are produced.

Except in the case of dismissal for just cause, companies are obliged to pay compensation to their employees when they leave their services.

In the absence of any foreseeable need for abnormal termination of employment and given that employees who retire or voluntarily cease their services do not receive indemnity payments, the indemnity payments, when they arise, are charged to expenses when a formal plan for the termination of certain employees has been approved by Group management and a valid expectation has been generated with respect to those affected that the employment relationship will be terminated.

Short-term employment benefits are recorded as an expense when the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present or constructive obligation to pay that amount for past services rendered by the employee and the obligation can be reliably estimated.

In the case of transactions that are settled with equity instruments, the services provided, as well as the increase in equity, are measured at the fair value of the instruments transferred, with reference to the date of the agreement. If, on the other hand, they are settled in cash, the goods and services received and the corresponding liability are recognised at the fair value of the latter, with reference to the date on which the conditions for recognition are met.

r) Classification of assets and liabilities between current and non-current

The Group distinguishes between current and non-current assets and liabilities in its consolidated statement of financial position. Except for the criteria that is mentioned in Note 18, current assets or liabilities are those that meet the following criteria:

- Assets are classified as current when they are expected to be realised or sold or consumed in the course of the Group's normal operating cycle, are held primarily for trading purposes, are expected to be realised within twelve months after the balance sheet date or are cash or equivalent liquid assets, except in those cases in which they cannot be exchanged or used to settle a liability, at least within twelve months after the balance sheet date.
- Liabilities are classified as current when they are expected to be settled in the Group's normal operating cycle, are held primarily for trading, have to be settled within twelve months from the balance sheet date or the Group does not have the unconditional right to defer the settlement of liabilities for twelve months from the balance sheet date.
- Financial liabilities are classified as current when they are due to be settled within twelve months after the balance sheet date, even if the original term was for more than twelve months and there is a refinancing or restructuring agreement for long-term payments that was concluded after the balance sheet date and before the consolidated annual accounts were prepared.

s) Exchanges of property, plant and equipment and/or inventories (swap)

An item of property, plant and equipment and/or inventory is deemed to be acquired by exchange when it is received in exchange for the delivery of non-monetary assets or a combination thereof with monetary assets.

In exchanges of a commercial nature, property, plant and equipment and/or inventories received are measured at the fair value of the asset delivered plus the monetary consideration given in exchange, unless there is clearer evidence of the fair value of the asset received and with the limit of the latter. Any differences arising from the derecognition of the item delivered in exchange shall be recognised in the consolidated income statement for the period in which the difference arises.

An exchange of a commercial nature has been considered when:

- The risk, timing and amount of cash flows of the asset received differs from the configuration of the cash flows of the asset delivered; or
- The present value of the after-tax cash flows of the Company’s activities affected by the exchanges as a result of the exchange.

When the exchange is not of a commercial nature or when a reliable estimate of the fair value of the items involved in the transaction cannot be obtained, the property, plant and equipment and/or inventories received are measured at the lower of the carrying amount of the asset delivered plus, where appropriate, the monetary consideration that would have been given in exchange, up to the limit, where available, of the fair value of the asset received.

These criteria also apply to exchanges of building land in exchange for completed dwellings, which are valued at the fair value of the completed dwellings to be delivered in the future.

t) Foreclosed assets in payment of loans

The Group recognises non-monetary assets awarded in payment of loans at the lower of the book value of the loans, plus any expenses incurred as a result of the transaction, or the fair value of the non-monetary assets.

If the non-monetary assets meet the conditions for classification as non-current assets held for sale at the grant date, they are measured at the lower of the carrying amount of the loans plus any expenses incurred as a result of the transaction and the fair value less costs of disposal of the foreclosed assets.

u) Cash flow statement

In the consolidated cash flow statement, prepared under the indirect method, the following terms are used with the meanings specified:

1. Cash flows: inflows and outflows of cash and cash equivalents, i.e. short-term, highly liquid investments with no significant risk of changes in value.
2. Operating activities: the Group's main source of ordinary income, as well as other activities that cannot be classified as investment or financing activities.
3. Investing activities: the acquisition or disposal by other means of long-term assets and other investments not included in cash and cash equivalents.
4. Financing activities: activities that result in changes in the size and composition of net equity and liabilities that are not part of operating activities.

v) Information by segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are reviewed regularly by the Group's chief operating decision maker to decide on the resources to be allocated to the segment in order to assess its performance and for which differentiated financial information is available (see Note 6).

5. Profit per share

Basic earnings per share

Basic earnings per share are determined by dividing the net profit attributable to shareholders of the Parent (after tax and minority interests) by the weighted average number of shares outstanding during the year, excluding the number of treasury shares held in the same period. According to it:

	2019 Thousand of Euros
Profit for the year attributable to Parent Company shareholders (thousands of Euros)	22.435
Weighted average ordinary shares in circulation (thousands of shares)	67.100
Basic earnings per share (Euros)	**0,33**

	2018 Thousand of Euros
Loss for the year attributable to Parent Company shareholders (thousands of Euros)	84.786
Weighted average ordinary shares in circulation (thousands of shares)	33.134
Basic earnings per share (Euros)	**2,56**

The weighted average number of common shares is calculated as follows:

In thousands of shares	2019
Shares outstanding at 1 January	34.031
Effect of shares issued	33.069
Weighted average number of ordinary shares outstanding at 31 December	**67.100**

Diluted earnings per share

Diluted earnings per share are established on a similar basis to that of basic earnings per share. However, the weighted average number of shares outstanding is increased by the number of shares outstanding for all dilution effects inherent in potential ordinary shares.

6. Information by segment

At the date of preparation of these consolidated annual accounts, the Board of Directors considers that there is only one segment, the residential development business.

The Parent does not make decisions or prepare separate financial information for each line of business (developments and non-strategic) and, therefore, considers that there is only one operating segment.

7. Business combinations

MERGER AGREEMENT BETWEEN AELCA GROUP AND VIA CELERE REAL ESTATE DEVELOPMENTS

On 28 September 2018 the Parent Company signed certain agreements with Myjoja Inversiones, S.L., Lewistown Invest, S.L.U., Glenwock Invest, S.L.U., Rimbey Spain, S.L.U. and Windham Spain, S.L.U. and with the companies in which the aforementioned companies have an interest, with Aelca Desarrollos Inmobiliarios, S.L. and with certain of its investees (see Note 1).

On 30 October 2018, the transaction was authorized by the Comisión Nacional del Mercado y Competencia (CNMC) and approved by the Company's Extraordinary General Shareholders' Meeting on 31 October 2018.

Based on IFRS 3 *Business Combinations*, paragraph B1 of the application guidance for IFRS 3 *Business Combinations of entities under common control* states that 'a business combination of entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination and that control is not transitory'. The Parent Company, with the support of advisors and experts, concluded that the transactions described in Note 1(ii) and (iii) were transactions under common control because they were shared by the same majority shareholder, i.e. Värde Partners. As a result, and in accordance with paragraph 10 of IAS 8 on defining an accounting policy for transactions not covered by EU-IFRSs, the management body has chosen to record the contribution to the carrying amounts at which the assets and liabilities received were recognised in the books, rather than at the amounts at which the contribution was made. The difference between the values at which the contribution was made (item iii) and the consideration paid in cash (items i and ii) and the carrying amount of the assets and liabilities received was recognised in 2019 under "Voluntary Reserves".

The Board of Directors of the Parent Company has considered the transactions and agreements described in this section to be an integral part of a single transaction. This interpretation has been agreed on the basis that the operations and agreements have been carried out for the benefit of the merged companies and the timing of these has been defined in a single framework of the merger, not generating profit for the previous owners except those who receive as part of the merged entity.

The operation described above is subject to the special tax regime for mergers, divisions, contributions of assets, exchange of securities and change of registered office of a European company or a European cooperative from one Member State to another of the European Union regulated in Heading VII of Chapter VIII of Royal Legislative Decree 4/2014, of 27 November, on Corporation Tax.

The detail of the assets acquired and liabilities assumed at the date of the business combination is as follows:

Business combination	***(Thousand of euros)***
Fixed assets (Note 9)	296
Long-term financial investments and loans	4.539
Inventories (Note 15)	575.691
Trade and other receivables	9.637
Financial investments in associates	23
Short-term financial investments and loans	26.078
Accruals	89
Cash and other equivalent liquid assets	71.617
Total assets	**687.970**
Long-term provisions (Note 17)	1.128
Long-term financial debt	54
Debt with associates	19
Short-term financial debt (Note 18)	113.574
Long-term payables to associated companies	57.659
Trade and other payables	105.257
Total liabilities	**277.691**
Value of the net assets	**410.279**
Payment to minority shareholders	**(166.772)**
Paid consideration	**(647.966)**
Merger reserve	**(404.459)**

The expenses incurred in the merger of Aelca amounting to 5,506 thousand euros were recognised in the Parent's equity (see Note 16.1).

The cash outflow produced in the business combination is as follows:

	Country	Thousands of euros Consideration paid in cash
Acquisition 10%-20% from minority shareholders (i)	Spain	126.031
Acquisition 100% "Aelca operating companies" (ii)	Spain	40.741
Contributed companies (80-90%) (iii)	Spain	-
Contribution 100% "Posnova" (iv)	Spain	-

The net turnover and profit attributable to the combination from the acquisition date to 31 December 2019 amounted to 100,251 thousand euros and 22,843 thousand euros, respectively.

In addition, considering everything mentioned in this Note regarding corporate transactions in the context of the business combination carried out in 2019, the information for comparison purposes if the transaction had been carried out at the end of 2018 would be as follows:

<u>Pro forma consolidated statement of financial position as at 31 December 2018</u>

Thousand of euros	Vía Célere Group	Absorbed entities	Subtotal	Corporate operations and merger	Total
Intangible Assets	122	-	122	-	**122**
Fixed assets	3.546	296	3.842	-	**3.842**
Investment property	114	-	114	-	**114**
Investments using the equity method	12.682	-	12.682	-	**12.682**
Long-term financial investments and loans	27.349	4.539	31.888	-	**31.888**
Deferred tax assets	71.089	-	71.089	-	**71.089**
Inventories	675.624	575.691	1.251.315	-	**1.251.315**
Trade and other receivables	10.090	9.637	19.727	-	**19.727**
Short-term investments in associated companies	365	23	388	-	**388**
Short-term financial investments and loans	419	26.078	26.497	-	**26.497**
Accruals	3.890	89	3.979	-	**3.979**
Cash and other equivalent liquid assets	56.236	71.617	127.853	46.690	**174.543**
Total assets	**861.526**	**687.970**	**1.549.496**	**46.690**	**1.596.186**
Net Equity	**458.542**	**426.571**	**885.113**	**(145.887)**	**739.226**
Long-term provisions	8.823	1.128	9.951	-	**9.951**
Long-term payables	1.497	54	1.551	220.138	**221.689**
Long-term payables to associated companies	-	19	19	-	**19**
Deferred tax liabilities	13.852	-	13.852	-	**13.852**
Short-term provisions	421	-	421	-	**421**
Short-term payables	238.184	113.574	351.758	-	**351.758**
Long-term payables to associated companies	142	33.073	33.215	(19.267)	**13.948**
Trade and other payables	140.062	113.551	253.613	(8.294)	**245.319**
Short-term accruals	3	-	3	-	**3**
Total liabilities	**402.984**	**261.399**	**664.383**	**192.577**	**856.960**
Total liabilities and net equity	**861.526**	**687.970**	**1.549.496**	**46.690**	**1.596.186**

See details of "Absorbed entities" in Annex II

Pro forma consolidated income statement as at 31 December 2018

Miles de euros	Vía Célere Group	Absorbed entities	**Subtotal**
Net turnover	157.063	62.320	219.383
Other Income	2.136	196	2.332
Changes in inventories of finished and in-progress goods	47.143	30.057	77.200
Consumption of raw materials and other consumables	(163.921)	(81.750)	(245.671)
Staff expenses	(15.322)	-	(15.322)
Other expenses	(20.752)	(9.988)	(30.740)
Depreciation of fixed assets	(325)	(46)	(371)
Impairment and income from disposal of non-current assets	(85)	(1)	(86)
Operating losses	**5.937**	**788**	**6.725**
Financial income	386	35	421
Financial expenses	(8.084)	(1.213)	(9.297)
Change in fair value of financial instruments	25.743	-	25.743
Impairment and gains or losses on disposal of financial instruments	621	-	621
Financial result	**18.666**	**(1.178)**	**17.488**
Shares result using the equity method	(640)	-	(640)
Profit before tax	**23.963**	**(390)**	**23.573**
Income taxes	60.823	(2.435)	58.388
Loss for the year	**84.786**	**(2.825)**	**81.961**

See details of "Absorbed entities" in Annex II

8. Intangible Assets

The changes in intangible assets in 2019 and 2018 were as follows:

	Thousands of Euros			
	Computer software	**Patents, licenses, trademarks and similar**	**Goodwill**	**Total**
Cost				
1 January 2018	159	120	5	284
Additions	85	-	-	85
31 December 2018	244	120	5	369
1 January 2019	244	120	5	369
Additions	15	-	-	15
31 December 2019	259	95	5	359
Amortisation				
Accumulated at 1 January 2018	(106)	(93)	-	(199)
Amortisation charge	(48)	-	-	(48)
Accumulated at 31 December 2018	(154)	(93)	-	(247)
Accumulated at 1 January 2019	(154)	(93)	-	(247)
Amortisation charge	(44)	(2)	-	(46)
Accumulated at 31 December 2019	(198)	(95)	-	(293)
Net carrying amount at 31 December 2018	**90**	**27**	**5**	**122**
Net carrying amount at 31 December 2019	**61**	**-**	**5**	**66**

The cost of fully depreciated assets at 31 December 2019 is 120 thousand euro (33 thousand euro at 31 December 2018).

The additions of computer applications correspond entirely to the acquisition of new software for accounting and administrative use.

The derecognitions in 2019 had no impact on the consolidated income statement.

As at 31 December 2019 and 2018, there were no impairment indicators for the carrying amount of intangible assets.

Information on goodwill is presented in Note 12.

9. Property, plant and equipment

The changes in property, plant and equipment in 2019 and 2018 were as follows:

	Thousands of Euros				
	Land and Buildings	Plant and machinery	Other property plant and equipment	Work in progress	Total
Cost					
1 January 2018	2.836	447	690	-	3.973
Additions	-	6	269	217	492
Disposals	-	-	(13)	-	(13)
31 December 2018	2.836	453	946	217	4.452
1 January 2019	2.836	453	946	217	4.452
Additions	(1)	451	461	18	929
Additions by Merger (NOTE 1)	-	172	124	-	296
Transfers	192	-	-	(192)	-
31 December 2019	3.027	1.076	1.531	43	5.677
Amortisation					
Accumulated at 1 January 2018	(23)	(224)	(333)	-	(580)
Depreciation charge for the year	(30)	(57)	(188)	-	(275)
Disposals	-	-	3	-	3
Accumulated at 31 December 2018	(53)	(281)	(518)	-	(852)
Accumulated at 1 January 2019	(53)	(281)	(518)	-	(852)
Depreciation charge	(20)	(114)	(257)	-	(391)
Accumulated at 31 December 2019	(73)	(395)	(775)	-	(1.243)
Impairment					
Accumulated at 1 January 2019	-	-	-	-	-
Impairment losses for the period	(54)	-	-	-	(54)
Accumulated at 31 December 2019	(54)	-	-	-	(54)
Net carrying amount at 31 December 2018	**2.783**	**172**	**428**	**217**	**3.600**
Net carrying amount at 31 December 2019	**2.900**	**681**	**756**	**43**	**4.380**

The additions in 2018 relate mainly to the construction in progress of various work booths required for the Group's various developments in progress, amounting to 217 thousand euro, and to the show home in the corresponding sales property developments, amounting to 258 thousand euro..

In 2018 items of property, plant and equipment with a net carrying amount of 13 thousand euro were derecognised, giving rise to a gain of 26 thousand euro (see Note 23.11).

The cost of fully depreciated assets at 31 December 2019 and 2018 amounts to 760 thousand euros and 260 thousand euros, respectively.

The Group has taken out various insurance policies to cover the risks to which its property, plant and equipment are exposed. The coverage of these policies is considered sufficient.

The Group assessed the existence of indications that might indicate the potential impairment of the assets comprising property, plant and equipment at 31 December 2019 and 2018, and determined a reversal of the impairment of 54 thousand euro in constructions (impairment of 54 thousand euro in constructions at 31 December 2018) (see Note 23.11).

At 31 December 2019, there was no indication of impairment in the carrying amount of property, plant and equipment.

10. Investment property

The changes in this heading in the consolidated statement of financial position in 2019 and 2018 were as follows:

	Thousands of Euros		
	Land	**Buildings**	**Total**
Cost			
1 January 2018	75	41	116
31 December 2018	75	41	116
1 January 2019	75	41	116
31 December 2019	75	41	116
Depreciation			
Accumulated at 1 January 2018	-	-	-
Depreciation charge	-	(2)	(2)
Accumulated at 31 December 2018	-	(2)	(2)
Accumulated at 1 January 2019	-	(2)	(2)
Depreciation charge	-	(2)	(2)
Accumulated at 31 December 2019	-	(4)	(4)
Net carrying amount at 31 December 2018	**75**	**39**	**114**
Net carrying amount at 31 December 2019	**75**	**37**	**112**

At 31 December 2019 and 2018, investment property includes a commercial space located in Valdemoro, with a carrying amount of 112 thousand euros and 114 thousand euros, respectively.

11. Leasing

At 31 December 2019 and 2018, the Group, in its capacity as lessor, had contracted the following minimum lease payments, in accordance with the current contracts in force, without taking into account the impact of common expenses, future increases in CPIs or future updates of contractually agreed rents:

	Thousands of Euros	
	2019	**2018**
Up to a year	11	1
Between 1-5 years	-	-
More than five years	-	-
	11	**1**

12. Goodwill

At 31 December 2019 and 2018, the Group had goodwill on consolidation generated by the business combination of Torok Investments 2015 S.L.U. amounting to 5 thousand euros.

13. Investments in Associates

The detail of movements in companies accounted for using the equity method in 2019 and 2018 is as follows:

	Thousands of Euros	
	Célere Forum Barcelona, S.L.	Total
Balance at 31 December 2017	**15.722**	**15.722**
Loss for the year 2018	(640)	**(640)**
Share premium refund AREO, S.A.R.	(1.600)	**(1.600)**
Return of share premium	(800)	**(800)**
Balance at 31 December 2018	**12.682**	**12.682**
Profit for the year 2019	6.240	**6.240**
Return of share capital	(2.100)	**(2.100)**
Interim dividends	(9.089)	**(9.089)**
Balance 31 December 2019	**7.733**	**7.733**
Impairment		
Opening balance 31 December 2018	-	-
Endowment	**(2.654)**	**(2.654)**
Closing balance 31 December 2019	**(2.654)**	**(2.654)**
Total investment in associates at 31 December 2018	**12.682**	**12.682**
Total investment in associates at 31 December 2019	**5.079**	**5.079**

Celere Forum Barcelona, S.L. is the only shareholding of the Group in associated companies.

Célere Fórum Barcelona, S.L. ("Célere Fórum") was recognised as coming from a joint venture and is accounted for using the equity method (see Note 4-a).

Célere Forum is a joint venture with AREO, S.A.R.L., whose objective is to promote the "Forum" project, in which the Group holds a 50% stake. This joint venture is structured as an independent vehicle.

On 24 May 2019, Celere Forum agreed by means of a General Shareholders' Meeting:

- The reduction of share capital in order to return contributions to the shareholders of the investee amounting to 4,201 thousand euros, with the share capital represented by 3,000 fully subscribed and paid-up shares of 1 euro par value each. The total amount of the contributions returned to the members of Célere Fórum in cash is 4,201 thousand euros, which is distributed in proportion to the ownership interest held by each of the two shareholders (50%).

- The distribution of an interim dividend totalling 13,866 thousand euros, which was paid in full. The General Shareholders' Meeting unanimously agreed that these interim dividends be distributed as follows:
    - Vía Célere Desarrollos Inmobiliarios S.A.: 9,089 thousand euros.
    - AREO, S.à.r.l.: 4,777 thousand euros

In 2018, Célere Fórum distributed a dividend of 800 thousand euros with a charge to the share premium, reducing the cost of the investment. This amount corresponds to the contribution made by the partner to his investee which, as agreed between the parties, would be returned once 40% of the work financed had been carried out and 35% of the sales of the real estate units had been signed. These milestones were reached prior to 31 December 2018.

In addition, Célere Fórum distributed a dividend of 3,200 thousand euros with a charge to the share premium to the other shareholder AREO, S.A.R., which had a negative impact on the value of the shareholding of 1,600 thousand euros.

The financial information of Célere Fórum as of 31 December 2019 is as follows:

	2019
	Thousands of Euros
Description	**Célere Fórum Barcelona, S.L.**
Balance sheet information	
Non-current assets	-
Current assets	15.760
Current liabilites	(10.650)
Total net assets	**5.110**
Percentage of participation	50%
Participation in net assets	2.555
Fair value adjustment	5.186
Impairment	(2.663)
Carrying value of the participation	**5.079**
Profit and Loss account information	
Income from continuing operations (100%)	18.973
Total comprehensive income (50%)	**9.486**

As of 31 December 2018, it was as follows:

	2018
	Thousands of Euros
Description	**Célere Fórum Barcelona, S.L.**
Balance sheet information	
Non-current assets	240
Current assets	63.240
Current liabilities	(53.728)
Total net assets	**9.752**
Percentage of participation	50%
Participation in net assets	4.876
Fair value adjustment (Note 7.1.2)	7.806
Carrying value of the participation	**12.682**
Profit and Loss account information	
Loss from continuing operations (100%)	(1.279)
Total comprehensive income (50%)	**(640)**

14. Financial investments

Classification of financial investments by category

	Thousands of euros			
	Non-current		Current	
	2019	2018	2019	2018
Amortised cost				
Loans to associates (Note 24)	-	-	51	365
Financial investments	1.800	27.323	12.263	419
Trade receivables for sales and services	-	-	1.818	3.438
Customers, group companies and associates (Note 24)	-	-	498	121
Other accounts receivable	-	-	1.175	3.483
Financial liabilities at fair value with changes in the profit and loss account				
Derivatives (Note 18.1.3)	1	26	-	-
	1.801	**27.349**	**15.805**	**7.826**

At 31 December 2019 and 2018 the Board of Directors considers that the difference between the amortised cost and the fair value of these financial assets is not significant.

14.1. Financial Assets

The breakdown of "Financial Assets" at 31 December 2019 and 2018 is as follows:

	Thousands of Euros			
	Non-current		Current	
	2019	2018	2019	2018
Loans to third parties	289	26.688	7.859	-
Deposits and bonds	1.511	635	4.404	419
	1.800	**27.323**	**12.263**	**419**

Loans to third parties

At 31 December 2019 and 2018, these included mainly loans acquired through assignment agreements with financial institutions, which were secured by mortgages on land amounting to 7,703 thousand euros and 26,250 thousand euros, respectively.

In 2019, loans amounting to 26,250 thousand euros were foreclosed as a result of the extrajudicial execution of mortgages.

Also, in 2019, as part of the merger process (see Notes 1 and 7), the Company included in its net assets 26,078 thousand euros, of which 24,911 thousand euros relate to loans to third parties in arrears secured by land, of which in 2019 the Company foreclosed on the purchase and sale of these assets as a result of the extrajudicial foreclosure of a mortgage amounting to 17,200 thousand euros.

The fair value of loans to third parties amounted to 18,353 thousand euros at 31 December 2019 and 79,430 thousand euros at 31 December 2018.

14.2. Debtors and other receivables

The detail of trade and other receivables is as follows:

	Thousands of Euros	
	2019	**2018**
Associates		
Clients (Note 24)	498	121
Non-linked		
Clients	1.974	3.594
Other accounts receivable	4.273	3.483
Valuation adjustments for impairment (Note 17)	(3.254)	(156)
	3.491	**7.042**

At 31 December 2019, Other receivables mainly include 4,613 thousand euros pending collection due to penalties invoiced to construction companies for breach of contract. 3,098 thousand euros of this amount has been provisioned, recording an expense in the consolidated income statement as a result of the entry of one of the construction companies into insolvency proceedings (see Note 17.3).

At 31 December 2018, Other receivables included 3,242 thousand euros pending receipt for the sale of the Cortijo Norte land, collected in full during 2019.

The Group considers that the consolidated carrying amount of trade and other receivables approximates their fair value.

The Group does not have a significant concentration of credit risk, and its exposure is distributed among a large number of counterparties and customers.

14.3. Cash and other equivalent liquid assets

"Cash and other equivalent liquid assets" includes the Group's cash and short-term bank deposits with an initial maturity of three months or less. The carrying amount of these assets approximates their fair value.

In 2019, as part of the merger process (see Notes 1 and 7), the Parent Company included 71,617 thousand euros of cash and cash equivalents in its assets.

The detail of the composition of this balance at 31 December 2019 and 2018 is as follows:

	Thousands of Euros	
	2019	**2018**
Available cash	83.031	9.387
Restricted cash	93.093	46.849
	176.124	**56.236**

At 31 December 2019 there were no restrictions on the use of cash except for the amounts regulated by Law 20/2015, according to which advances received in relation to residential developments must be deposited in a special account separate from the Group's other funds and may only be used to cover expenses arising from the construction of the respective developments.

At 31 December 2019, the cash available from companies accounted for using the equity method amounted to 4,926 thousand euros (31 December 2018: 3,686 thousand euros).

14.4. Use of derivative financial instruments

The major Group's transactions are carried out in euros, which means that the financial risk to which it may be exposed is insignificant in the measurement of its assets, liabilities and profit for the year (see Note 18.1.3).

15. Inventories

The composition of the balances of this heading in the consolidated statement of financial position at 31 December 2019 and 2018 is as follows:

	Thousands of Euros	
	2019	2018
Raw Material	740	1.180
Land and plots	988.875	679.594
Property developments in progress	779.794	481.934
Completed developments	119.468	6.298
Advances to suppliers	11.987	9.315
Impairment	(484.176)	(502.697)
	1.416.688	**675.624**

At 31 December 2019, the detail of the net carrying amount of inventories by geographical area is as follows

	Thousands of Euros		
	2019		
City	Cost	Impairment	Net Book Value
Madrid	737.115	(197.962)	539.153
Málaga	320.946	(38.533)	282.413
Valladolid	182.309	(104.805)	77.504
Barcelona	122.374	(117)	122.257
Sevilla	100.253	(5.009)	95.244
La Coruña	83.533	(43.403)	40.130
Valencia	76.048	-	76.048
Portugal	46.981	(6.186)	40.795
Otros	219.317	(86.944)	132.373
	1.888.876	**(482.959)**	**1.405.917**

Note: The above breakdown does not include advances to vendors.

At 31 December 2018, the detail of the net carrying amount of inventories by geographical area was as follows:

	Thousands of euros		
	2018		
City	Cost	Impairment	Net book value
Madrid	464.481	(187.534)	276.947
Barcelona	17.722	(160)	17.562
Malaga	161.549	(46.952)	114.597
Seville	65.149	(5.014)	60.135
Valladolid	173.929	(111.275)	62.655
La Coruña	75.778	(43.961)	31.818
Balearic Islands	42.825	-	42.825
Portugal	43.343	(6.865)	36.478
Other	112.332	(87.071)	25.261
	1.157.108	**(488.831)**	**668.277**

The movement in inventories during 2019 and 2018 is as follows:

	Thousand of Euros					
	Raw material	**Lands and plots**	**Completed developments**	**Property Developments in**	**Advances to suppliers**	**Total**
Cost as at 1 January 2018	**-**	**709.076**	**43.068**	**427.617**	**13.146**	**1.192.907**
Additions	1.180	53.765	-	122.648	4.112	181.705
Disposals	-	(13.281)	(175.067)	-	(7.943)	(196.291)
Transfers	-	(69.966)	138.297	(68.331)	-	-
Cost as at 31 December 2018	**1.180**	**679.594**	**6.298**	**481.934**	**9.315**	**1.178.321**
Adjustment cost as at 31 December 2017	**-**	**-**	**-**	**-**	**-**	
Cost as at 1 January 2019	**1.180**	**679.594**	**6.298**	**481.934**	**9.315**	**1.178.321**
Additions	568	108.353	-	333.465	5.120	447.506
Additions for Merger (Note 7)	-	383.279	8.370	183.689	353	575.691
Disposals	-	(5.110)	(292.743)	-	(2.801)	(300.654)
Transfers	(1.008)	(177.241)	397.543	(219.294)	-	-
Cost as at 31 December 2019	**740**	**988.875**	**119.468**	**779.794**	**11.987**	**1.900.864**
Impairment losses						
as at 1 January 2018	**-**	**(434.988)**	**(21.886)**	**(116.401)**	**(1.216)**	**(574.491)**
Charges	-	(12.061)	(321)	(2.192)	-	(14.574)
Reversals	-	26.724	45.439	14.205	-	86.368
Transfers	-	11.960	(24.729)	12.769	-	-
Impairment losses						
as at 31 December 2018	**-**	**(408.365)**	**(1.497)**	**(91.619)**	**(1.216)**	**(502.697)**
as at 1 January 2019	**-**	**(408.365)**	**(1.497)**	**(91.617)**	**(1.216)**	**(502.695)**
Charges	-	(9.812)	(265)	(7.439)	-	(17.516)
Reversals	-	13.495	18.078	4.462	-	36.035
Transfers	-	48.633	(19.471)	(29.162)	-	-
Impairment losses						
as at 31 December 2019	**-**	**(356.049)**	**(3.155)**	**(123.756)**	**(1.216)**	**(484.176)**
Net carrying amount at 31 December 2018	**1.180**	**271.229**	**4.801**	**390.315**	**8.099**	**675.624**
Net carrying amount at 31 December 2019	**740**	**632.826**	**116.313**	**656.038**	**10.771**	**1.416.688**

As "Property Developments in Progress" the Group records the cost of short-cycle and long-cycle developments in progress. In the same way, for "Short-cycle developments in progress" the accumulated costs of the developments are considered, for which the expected completion date of the construction does not exceed 12 months.

At 31 December 2019 and 2018, the detail of the net carrying amount of property assets divided between short and long term is as follows:

	Thousands of Euros	
	2019	**2018**
Short-cycle	416.624	210.286
Long-cycle	988.553	456.059
Total current assets	**1.627.303**	**746.624**
Debt related to stock financing (Long-cycle)	46.268	54.471
Total current liabilities	**694.192**	**378.812**

At 31 December 2019, the short cycle property developments are: Célere Harmony, Célere Nueva Gavia, Célere Arco, Célere Monet, Célere Cortijo Norte (phase I), Célere Castelo, Célere Navis, Célere Nacari, Célere Mairena (phase I), Célere Casa Banderas (phase II), Célere Retamar II, Célere Sant Feliu, Célere Terran, Célere Jalón, Célere Serenity, Célere Cortijo Norte (phases II-III), Célere Llum Patraix, Célere Perales, Célere Els Ametllers, Célere Cubic II, Célere Bremen, Célere Domeny (phase I), Célere Cala Serena, Célere Lemos, Célere Nova Rivas, Célere Las Rosas and Célere Cuatro Caminos

As of 31 December 2018, the short cycle developments were Méndez Álvaro (Madrid), Francos Rodríguez (Madrid), Casa Forestier (Seville), Casa Banderas and Residencial Barama (both Malaga).

The Group capitalises the borrowing costs incurred during the year for financing the development of property developments, provided that they relate to inventories with a production cycle of more than one year. In 2019, capitalised finance costs amounted to 8,843 thousand euros (7,110 thousand euros in 2018) (see Note 23.10). In addition, in 2019 and 2018, 7,214 thousand euros and 3,702 thousand euros relating to staff costs and 157 thousand euros and 417 thousand euros relating to external services costs, respectively, were recognised as an increase in the value of the property developments in progress (see Note 23.2).

Reversals of impairment of developments in progress in 2018 included an amount of 4,224 thousand euros recorded against other reserves.

15.1. Land and plots

The balance of this account corresponds to the purchase price of various pieces of land and plots of land which, at 31 December 2019 and 2018, were being prepared for urban development or were in the planning stage.

At 31 December 2019 and 2018, the surface area of the Group's land portfolio amounted to 2,213,251 square metres and 1,368,026 square metres, respectively, with approximately 70% of the land classified as "fully authorised" developments in both years.

The detail of the Group's land by geographical area is as follows:

	Total m2	
	2019	**2018**
Madrid	820.864	581.220
Malaga	406.311	140.671
Seville	332.078	187.699
Valencia	144.999	3.321
Barcelona	82.329	74.451
Valladolid	72.563	105.847
Other	354.106	274.818
	2.213.251	**1.368.026**

The main plots included under this heading are:

- Plots of Barajas, Pozuelo de Alarcón, Berrocales, Los Cerros, Guadarrama, Boadilla del Monte, Getafe, in Madrid.
- Plots of Aznalfarache, Dos Hermanas, Airport in Seville;
- Plot of Condomina, in Murcia;
- Plot of Laderas Sur, in Valladolid;
- Plot of La Lastra, in Leon;
- Land in Rua do Grijó and Quinta dos Moinhos, in Porto (Portugal);
- Land in Oeiras, in Lisbon (Portugal);
- Land in Finistrelles, Barcelona;

The main movements in 2019 were:

- The acquisition of a plot of land in Berrocales (Madrid) for 11,475 thousand euros.
- The acquisition of a plot of land called "Coslada RML1" (Madrid) for 5,232 thousand euros, of which 4,709 thousand euros were outstanding at 31 December 2019.
- The execution of the option on a piece of land held in Barajas (Madrid) for approximately 24,000 thousand euros, with 17,621 thousand euros outstanding at 31 December 2019.
- The acquisition of the land through the foreclosure of the third-party loans described in Note 14.1 for 43,530 thousand euros.
- Derecognitions relating to the sale of land for a net amount of 7,216 thousand euros, with an associated cost of 4,825 thousand euros. The most significant sale corresponds to the sale of Sevilla Este 13G for 4,745 thousand euros and to Pechina (Valencia) for 1,650 thousand euros.

The main movements in 2018 were:

- The acquisition of a plot of land in Campomanes (Las Rozas, Madrid) for 1,900 thousand euros.
- The acquisition of a plot of land in Ibiza UA 14 for 26,900 thousand euros.
- The execution of the option on a plot of land held in Los Cerros (Madrid) for 11,500 thousand euros (see Note 14.1).
- Derecognitions corresponding to the sale of land for a net amount of 12,943 thousand euros. The most significant sale corresponds to the sale of Sevilla Este for 5,167 thousand euros and to Sevilla Aeropuerto for 3,320 thousand euros.

At 31 December 2019 and 2018, certain " Land and Plots of Land", with a net cost of 92,747 thousand euros and 39,732 thousand euros, respectively, were mortgaged to secure the repayment of various bilateral bank loans of which 47,500 thousand euros and 34,308 thousand euros, respectively, were drawn down (see Note 18.1.2).

15.2. Land and plot purchase commitments

At 31 December 2019 and 2018 the Group had entered into pledge agreements or agreements with purchase options on land and building plots totalling approximately 62,000 thousand euros and 44,135 thousand euros, respectively, and had delivered interim amounts of 2,342 thousand euros and 5,242 thousand euros, respectively.

2,857 thousand euros of advances to suppliers corresponding to provisions deposited with a notary for land purchases were recorded in 2018.

At 31 December 2019, the main commitments for the acquisition of land and plots of land were as follows

- The purchase option contract formalised on 6 April 2017 with Resto HG, S.L. on several pieces of land that were part of UZ 2.4-03 "ARPO". This contract granted the Group two purchase options. On 11 February 2020, the option to purchase this land was exercised.

At 31 December 2018, the main commitments for the acquisition of land and plots of land were as follows

- The purchase option contract signed on 14 February 2017 with Iberia Líneas Aéreas de España, Sociedad Anónima Operadora, on several plots of land located on Camino de la Fuente Road, Madrid,
- The purchase option contract formalised on 6 April 2017 with Resto HG, S.L. on several pieces of land that were part of UZ 2.4-03 "ARPO". This contract granted the Group two purchase options.

15.3. Completed property developments

The "Completed Developments" heading includes the cost of the unsold portion of completed developments.

At 31 December 2019, the geographical distribution of the main property developments completed is as follows:

- ***Madrid*** (Célere Nacari; Célere Monet; Célere Boreal III; Célere Harmony and Célere Nueva Gavia)
- ***Malaga*** (Célere Churriana; Célere Duna Beach; Célere Casa Banderas)
- ***Barcelona*** (Célere Aviació)
- ***Valladolid*** (Celere Ponce de Leon)

At 31 December 2018, the geographical distribution of the main property developments completed is as follows:

- ***Madrid*** (Adelfas development; Villaverde development; Rivas development; Valdebebas Gil development; Fernández Shaw development; Tres Cantos)
- ***Barcelona*** (Magoria residential development)
- ***A Coruña*** (Casa Vega residential development)
- ***Valladolid*** (La Joya 108 development; La Joya 109 development; Juan de Austria building; Paseo Jalón residential development)
- ***Other provinces*** (residential development Viña del mar in Murcia)

In 2019, 292,743 thousand euro were derecognised under "Completed Developments" (175,067 thousand euro in 2018), relating to the cost of the developments delivered in the year.

The main sales in fiscal year 2019 are those related to the developments of Francos Rodriguez, Méndez Alvaro, Casa de la Cierva, Móstoles and Residencial Báltico in Madrid, Casa Forestier in Seville, Casa Banderas and Residencial Barama in Málaga (Magoria in Barcelona, Villaverde in Madrid, and Casa Vega in La Coruña during 2018).

At 31 December 2019 and 2018, certain residential assets recognised under "Completed Developments" in the consolidated statement of financial position had a net cost of 8,647 thousand euros and 1,553 thousand euros, respectively, and were mortgaged to secure the repayment of various bank loans, the balances of which at those dates amounted to 59,511 thousand euros and 2,270 thousand euros, respectively (see Note 18.1.2).

15.4. Property developments in progress

The balance of this account at 31 December 2019 and 2018 relates to the total costs incurred up to that date in the development of the residential developments in progress, including the cost of purchasing the land.

At 31 December 2019, the main developments included under this heading were:

- Residential development located in Las Rosas, owned by the Group company "Vía Célere, S.L.U.".
- Residential development located in the Old Tobacco Factory in La Coruña M2 and M4, owned by the Group's company "Udralar S.L.U.
- Residential developments Casares (Doña Julia) (Málaga), Ariza in Valladolid, Cortijo Norte and Perales del Rio in Madrid and Ibiza UA14 Phase I belonging to the company "Vía Célere Desarrollos Inmobiliarios, S.A.".

At 31 December 2018, the main developments included under this heading were:

- Residential developments located in Las Rosas, Móstoles, Méndez Álvaro, Embajadores and Francos Rodríguez owned by the Group company "Vía Célere, S.L.U.".
- Residential development located in the Old Tobacco Factory in La Coruña M2 and M4, owned by the Group's company "Udralar S.L.U.
- Barama Residential Development, Casa Banderas and Serenity (Málaga), Casa de la Cierva in Getafe, Casa Ponce León and Ariza in Valladolid, Cortijo Norte, Solagua and Perales del Rio in Madrid, Casa Forestier in Seville and Ibiza UA14 belonging to the company "Vía Célere Desarrollos Inmobiliarios, S.A.".

Of the property developments in progress at 31 December 2019 and 2018, several, which were recognised at those dates at a net cost of 539,485 thousand euros and 197,425 thousand euros, respectively, are mortgaged to secure the repayment of bilateral loans, the balances of which at those dates amounted to 165,110 thousand euros and 80,450 thousand euros, respectively (see Note 18.1.2).

15.5. Sales commitments for residential developments in progress and buildings constructed

The Group recognises under "Trade and Other Payables" the amount, in cash or in commercial bills receivable, received from customers with whom it has entered into such sales commitments.

At 31 December 2019 and 2018, the Group had signed contracts for the sale of residential developments in progress at that date, or of buildings constructed, for a total of 1,073,263 thousand euro and 580,444 thousand euro, respectively. Of the total sales commitments, at 31 December 2019 and 2018 the Group had received advances totalling 163,015 thousand euro and 92,909 thousand euro, respectively (see Note 18.2).

As a standard procedure, almost all contracts of sale are subject to compensation clauses for non-delivery of the homes, consisting mostly of legal interest on the amounts delivered during the period between the scheduled delivery date in the contract and the actual delivery date. The Group does not estimate any impact on these consolidated annual accounts for this reason, mainly due to the historical experience of recent years, as well as the fact that the delivery date foreseen in the contracts takes into account a safety margin. Also, in general, pre-sales include compensation for the Group in the event of cancellation by the customer, although no amount is recorded for this item until it is collected.

15.6. Impairment of inventories

Each year the Group commissions studies from independent experts to determine the fair values of its inventories at year-end. As of 31 December 2019 and 2018 the studies were carried out by "Savills Aguirre Newman Valoraciones y Tasaciones, S.A.U.". The valuations were carried out on the basis of the sale market value in accordance with the definition adopted by the Royal Institution of Chartered Surveyors (RICS) and with the International Valuation Standards (IVS), published by the International Valuation Standards Committee (IVSC), organisations that incorporate the international and European property valuation organisations, respectively.

To calculate the values of the various properties in the Group's portfolio, the discounted cash flow method, the sales comparison method and the dynamic residual method were used.

The discounted cash flow method, as defined by Savills, comprises analysing the property development and its sale upon completion, discounting the costs required to bring the project to completion (building, architecture, urban planning and cost of sale) and recognising the income upon completion. This results in a cash flow that is updated to the valuation date by means of the IRR that indicates the level of risk the developer wishes to take and the benefits he expects to achieve.

In 2019 the Group recognised an impairment loss of 17,516 thousand euros (14,574 thousand euros in 2018) and a reversal of impairment loss of 36,035 thousand euros (86,368 thousand euros in 2018). These impairments are made in order to adjust the carrying amount of the inventories to their estimated realisable value without exceeding the cost, determined on the basis of Savills' valuations.

At 31 December 2019 and 2018, the overall fair value of the Group's inventories resulting from the aforementioned studies amounted to 2,166,924 thousand euro and 905,041 thousand euro, respectively.

Savills' main assumptions in the valuation are as follows:

Selling price (EUR/m2)	Margin	Internal Rate of Return
951 - 8.451	3%-48%	6%-25%

The discount rates applied vary depending on the stage of development of the asset (land not yet developed, under construction, with pre-sales or completed), ranging from 6% to 25%, with a weighted average of 12.4%, as follows:

IRR (%)	Discount rate (%) 31.12.2019
Products in progress	9,8%
Fully authorised land	12,2%
Strategic land	15%
TOTAL	**12,4%**

15.7. Disputed inventories

Inventories at 31 December 2019 include an amount of 28,818 thousand (31 December 2018: 1,195 thousand euros) relating to customer claims based on a possible breach of contractual obligations.

The Parent Company, based on its best opinion and that of its legal advisers, considers that the outcome of the aforementioned legal proceedings will not give rise to significant losses for the Group other than those already recognised in these consolidated annual accounts.

15.8. Insurance policy

The Group's policy is to take out insurance policies to cover the possible risks to which practically all its inventories are exposed. In the Parent Company's opinion, the coverage of the policies taken out is sufficient.

16. Net equity

16.1. Capital and share premium

On 23 February 2018, the Company's General Shareholders’ Meeting resolved to increase its share capital by 22,158 thousand euros through the issue of 3,692,956 new shares with a par value of 6 euros each and with the same rights as the existing shares. This capital increase was carried out through a non-monetary consideration consisting of the capitalisation of certain bilateral loans that the shareholders had granted to the Company for a book value of 98,839 thousand euros. The increase in share capital was recognised at the fair value of the loans capitalised at that date (73,020 thousand euros) and the difference of 25,819 thousand euros was recognised as a contribution from shareholders and is recognised as finance income in the consolidated income statement (See Note 23.13). The public deed of the capital increase was executed on 2 March 2018, having been registered in the Companies Registry of Madrid.

In addition, at the same General Shareholders’ Meeting of the Company, it was resolved to increase its share capital by 56 thousand euros through the issue of 9,280 new shares, each with a par value of 6 euros, with the same rights as the existing shares. This capital increase was executed in a public deed on 28 March 2018, having been registered in the Companies Registry of Madrid.

On 2 March 2018, the Company's General Shareholders’ Meeting approved an increase in share capital by 12,540 thousand euros through the issue of 2,090,120 new shares with a par value of 6 euros each and with the same rights as the existing shares. This capital increase was executed by public deed on 3 April 2018 and is registered in the Companies Registry of Madrid.

On 9 January 2019 the deed of merger of the Aelca Group with the Parent was executed, which involved a capital increase by contribution, as approved by the shareholders at the Annual General Shareholders' Meeting held on 31 October 2018, through the issue of 31,746,987 new shares with a par value of 6 euros each and with the same rights as the existing shares. On 10 January 2019 it was filed with the Companies Registry of Madrid and on 8 March 2019 it was duly registered.

On 15 March 2019, a capital increase of 10,929 thousand euros was granted in a public deed approved by the Company's shareholders at the Annual General Shareholders' Meeting held on 10 December 2018, through the issue of 1,821,490 new shares with the same rights as those existing at that date. This increase was made by means of monetary contributions and is registered in the Companies Registry of Madrid on 1 April 2019.

On 15 March 2019, a capital increase of 5,563 thousand euros was granted in a public deed, approved by the Company's shareholders at the Annual General Shareholders' Meeting held on 10 December 2018, through the issue of 927,189 new shares with the same rights as the existing ones. This increase was made by means of credit compensation and is registered in the Companies Registry of Madrid on 27 June 2019.

Following the transactions described above, as of 31 December 2019, the Parent Company's share capital amounted to 411,161,118 euros (204,187,122 euros as of 31 December 2018), and is made up of registered 68,526,853 shares of 6 euros par value each, all of them authorised, subscribed and paid up, not listed on the stock exchange, all with the same corporate rights.

The shareholders of the Company at 31 December 2019 and 2018 are as follows:

	2019		2018	
Company	Number of shares	Percentage of ownership	Number of shares	Percentage of ownership
Maplesville Invest, S.L.U	17.828.983	26,0%	17.828.983	52,4%
Windham Spain, S.L.U.	10.170.558	14,8%	-	-
Lewistown Invest, S.L.U.	10.042.179	14,7%	-	-
Glenwock Invest, S.L.U.	8.258.332	12,1%	5.513.934	16,2%
Rimbey Spain, S.L.U.	6.024.597	8,8%	-	-
Greencoat B.V.	5.513.934	8,0%	-	-
Trinity Investment Ltd.	5.112.989	7,5%	5.112.989	15,0%
Merrill Lynch International Limited	2.229.368	3,3%	2.229.368	6,6%
MELF B.V.	1.832.276	2,7%	1.832.276	5,4%
Barclays Bank PLC	1.329.208	1,9%	1.329.208	3,9%
Deutsche Bank AG, London Branch	97.877	0,1%	97.877	0,3%
JP Morgan Securities PLC	86.552	0,1%	86.552	0,3%
	68.526.853	**100,0%**	**34.031.187**	**100,0%**

The expenses incurred in the merger of Aelca amounting to 5,506 thousand euros were recognised in the Parent's net equity.

The expenses incurred in the capitalisations for 2018 were not significant and were recognised in the consolidated income statement.

The movement in the number of shares during 2019 was as follows:

Company	Number of shares at 31.12 2018	Capital increase "Operation Aelca" (10.01.2019)	Capital increase (15.03.2019)	Capital Increase from Credit Clearing (15.03.2019)	Transfers	Number of shares at 31.12.2019
Maplesville Invest, S.L.U	17.828.983	-	-	-	-	17.828.983
Greencoat B.V.	5.513.934	-	-	-	-	5.513.934
Trinity Investment Ltd.	5.112.989	-	-	-	-	5.112.989
MELF B.V.	1.832.276	-	-	-	-	1.832.276
Barclays Bank PLC	1.329.208	-	-	-	-	1.329.208
Merrill Lynch International Limited	2.229.368	-	-	-	-	2.229.368
Deutsche Bank AG, London Branch	97.877	-	-	-	-	97.877
JP Morgan Securities PLC	86.552	-	-	-	-	86.552
Lewistown Invest, S.L.U.	-	8.217.065	897.925	-	927.189	10.042.179
Glenwock Invest, S.L.U.	-	7.758.416	499.916	-	-	8.258.332
Rimbey Spain, S.L.U.	-	5.986.150	38.447	-	-	6.024.597
Windham Spain, S.L.U.	-	9.785.356	385.202	-	-	10.170.558
Aelca Desarrollos Inmobiliarios, S.L.U.	-	-	-	927.189	(927.189)	-
	34.031.187	**31.746.987**	**1.821.490**	**927.189**	**-**	**68.526.853**

The movement in the number of shares during 2018 was as follows:

Company	Number of shares at 31.12.2017	Capital increase (23.02.2018)	Capital increase (02.03.2018)	Transfer	Number of shares at 31.12.2018
Maplesville Invest, S.L.U	15.143.442	-	1.356.077	1.329.464	17.828.983
Greencoat B.V.	4.110.294	1.329.464	74.176	-	5.513.934
Trinity Investment Ltd.	4.898.247	245.159	-	(30.417)	5.112.989
MELF B.V.	1.411.943	-	420.333	-	1.832.276
Barclays Bank PLC	1.192.045	-	106.746	30.417	1.329.208
Bank of America Merrill Lynch International	307.351	690.992	126.437	(1.124.780)	-
Merrill Lynch International	1.104.588	-	-	1.124.780	2.229.368
Deutsche Bank AkticngescMschafl	-	97.877	-	-	97.877
JP Morgan Securities PLC	70.921	9.280	6.351	-	86.552
Arvo Invcsliiienl Holdings S.á.r.l.	-	1.329.464	-	(1.329.464)	-
	28.238.831	**3.702.236**	**2.090.120**	-	**34.031.187**

16.2. Share premium

The Capital Company Act expressly permits the use of the share premium balance to increase the share capital of the entities in which it is registered and establishes the same restrictions as regards its availability as the voluntary reserves.

16.3. Legal reserve

Under the Spanish Companies Act, 10% of net income for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of share capital. The legal reserve may be used to increase capital in that part of its balance that exceeds 10% of the increased capital. Except for this purpose, until it exceeds 20% of the share capital, this reserve may only be used to offset losses and provided that sufficient other reserves are not available for this purpose.

16.4. Limitations on dividend distribution

At 31 December 2019, the Parent Company has limitations on the distribution of dividends as a result of the conditions agreed in the corporate finance contract signed on 2 January 2019 mentioned in Note 18.1.4.

At 31 December 2018, there are no significant limitations on the distribution of dividends, except that the total equity remaining after the distribution of any dividend must not fall below half of the share capital.

16.5. Own shares

At 31 December 2019 and 2018 the Group did not hold any treasury shares and had not carried out any transactions involving treasury shares during the year.

16.6. Capital Management

The Group's capital management is focused on achieving a financial structure that optimizes the cost of capital while maintaining a solid financial position. This policy allows the creation of value for the shareholder to be made compatible with access to the financial markets at a competitive cost to cover the needs both of refinancing the debt and of financing the investment plan not covered by the generation of funds from the business.

17. Provisions and contingencies

The detail of the balances of these headings in the consolidated statement of financial position at the end of 2019 and 2018 is as follows

	Thousands of Euros 2019					
	Opening balance at 31 December 2018	Additions	Applications	Reversals	Merger addition	Closing balance at 31 December 2019
Non-current provisions						
Provisions for contingencies and charges	8.823	3.588	(1.389)	(3)	1.128	12.147
Current provisions						
Aftersales provision	-	549	-	-	-	549
Provision for bad debts (Note 15)	156	3.098	-	-	-	3.254
Operating provisions	421	7.471	(1.382)	(1)	-	6.509
	9.400	**14.706**	**(2.771)**	**(4)**	**1.128**	**22.459**

	Thousands of Euros 2018				
	Opening balance at 31 December 2018	Additions/Disposals	Application	Reversion	Closing balance at 31 December 2018
Long-term provisions					
Provisions for contingencies and expenses	10.093	59	(621)	(708)	8.823
Short-term provisions					
Provisions for insolvency	2.035	156	(2.035)	-	156
Traffic provisions	3.812	300	(3.456)	(235)	421
	15.940	**515**	**(6.112)**	**(943)**	**9.400**

At 31 December 2019 and 2018, the provision for contingencies and expenses relates mainly to contingencies that are likely to arise from legal proceedings relating to the Group's ordinary activities. The outcome of these related contingencies depends on the resolution of the corresponding legal proceedings.

17.1. Provisions for contingencies and expenses

In 2019, as part of the merger process (see Notes 1 and 7), the Parent recognised provisions amounting to 1,128 thousand euros in connection with potential liabilities arising from the business activities of the absorbed companies.

At 31 December 2019 and 2018, the most significant procedures maintained by the Parent were as follows

1. On 5 December 2019, the Parent received a claim from a construction company for loss of profit and expenses incurred as a result of the definitive suspension of the construction work and subsequent termination of the contract due to force majeure by the Parent, for which it made a provision of 1,341 thousand euros.

2. The Parent Company delivered two letters of guarantee to Antigua Rehabitalia, S.A., an indirect subsidiary of the Parent Company until 29 December 2017, covering two mortgage loans between Antigua Rehabitalia, S.A. and SAREB amounting to 12,400 thousand euros to secure two properties owned by Antigua Rehabitalia, S.A. located in the Conil de la Frontera Sector (Cádiz). During 2017, Antigua Rehabitalia, S.A. entered the competition. 7,900 thousand relating to the difference between the guarantee and the fair value of the land, which remains at 2019 year-end. The amount claim action is time-barred on 7 October 2020.

In 2019 the Parent recognised 1,707 thousand euros in the provisions for liabilities and charges in respect of property tax (IBI) relating to the foreclosure of loans to third parties, of which 1,177 thousand euros were used in the year, and 530 thousand euros were outstanding in this connection at 31 December 2019.

17.2. Aftermarket provision

In 2019, the Group decided to create a provision for possible customer claims for the developments delivered, amounting to 549 thousand euros, for the real estate developments delivered during the year.

17.3. Insolvency Provision

At 31 December 2019, the Group's provision for bad debts is mainly due to invoices issued to a construction company which is currently in insolvency proceedings for 3,098 thousand euros (see Note 14.2).

17.4. Trading provisions

During 2019 the Group has made provisions for the completion of work costs of construction services received but not yet invoiced for delivered developments 7,471 thousand euros. They are recognised at the date of transfer from work in progress to completed work on the property assets, according to the best estimate of the possible expense incurred by the Group and for the amount required to settle the Group's liability.

In the opinion of the board of directors, the provisions recorded at 31 December 2019 and 2018 reasonably cover the existing risks, not considering that significant additional losses may arise from the resolution of litigation in progress.

18. Long and short-term liabilities and trade payables

The classification of financial liabilities by category is as follows:

	Thousands of Euros			
	2019		2018	
	Non-current	Current	Non-current	Current
Amounts owed to credit institutions	222.401	384.099	1.309	237.648
Amounts owed to associate companie	-	-	-	142
Payable to staff	-	2.674	-	1.442
Suppliers	-	122.704	-	41.196
Advances to clients	-	163.015	-	92.909
Other financial liabilities	10	307	188	536
	222.411	**672.799**	**1.497**	**373.873**

At 31 December 2019 and 2018 the Group has no deferred land payments.

Irrespective of the effective date of repayment, the Group classifies as "current" the financial liabilities affecting the financing of goods or assets classified in the consolidated statement of financial position as "current".

The reconciliation of liability movements to cash flows resulting from financing activities is as follows:

	Thousands of euros	
	Bank borrowings current and non current	Associate companies
Balance at 31 December 2018	238.957	142
Changes from financing activities		
Proceeds from related parties	-	1
Proceeds from bank borrowings	331.015	-
Repayment of bank borrowings	(78.273)	-
Total changes from financing cash flows	**252.742**	**1**
Other changes		
Additions by Aleca Merger (Note 7)	113.574	-
Interest expense	31.189	-
Interest paid	(31.189)	-
Other changes	1.227	(143)
Balance at 31 December 2019	**606.500**	-

18.1. Long and short term debts

18.1.1. Amounts owed to credit institutions

The detail by maturity of the items (in thousands of euros) included in short and long-term debts to credit institutions is as follows:

Instrument	Limit	Dispose short term: Long cycle	Dispose short term: Short cycle	Dispose long term	Total drawn down	Maturity: 2020	2021	2022	2023	2024 and rest	Total
Mortgage loans secured by inventories (see Note 19.1.3)	1.089.582	46.268	225.853	-	**272.121**	226.552	39.688	1.740	4.141	-	**272.121**
Credit lines	147.476	-	107.368	37.377	**144.745**	16.550	128.195	-	-	-	**144.745**
Accrued interests (Note 19.1.3)	-	3.501	1.109	-	**4.610**	4.610	-	-	-	-	**4.610**
Other loans	186.640	-	-	185.024	**185.024**	154	183.873	160	164	673	**185.024**
Borrowing at 31/12/2018	**1.423.698**	**49.769**	**334.330**	**222.401**	**606.500**	**247.866**	**351.756**	**1.900**	**4.305**	**673**	**606.500**

Instrument	Limit	Dispose short term: Long cycle	Dispose short term: Short cycle	Dispose long term	Total drawn down	Maturity: 2019	2020	2021	2022	2023 and rest	Total
Mortgage loans secured by inventories (see Note 19.1.3)	430.549	54.471	62.557	-	**117.028**	72.564	27.036	16.131	46	1.251	**117.028**
Credit lines	123.428	-	114.092	-	**114.092**	11.409	11.409	91.274	-	-	**114.092**
Accrued interests (Note 19.1.3)	-	509	369	-	**878**	878	-	-	-	-	**878**
Other loans	6.960	5.499	151	1.309	**6.959**	5.664	154	157	160	824	**6.959**
Borrowing at 31/12/2017	**560.937**	**60.479**	**177.169**	**1.309**	**238.957**	**90.515**	**38.599**	**107.562**	**206**	**2.075**	**238.957**

The total balance drawn down in 2019 and 2018 is shown net of fees of 12,812 thousand euros and 9,983 thousand euros, respectively, plus interest of 4,610 thousand euros and 878 thousand euros, respectively.

See Annex 1 for more details on debts to credit institutions.

All these loans have an interest rate linked to EURIBOR plus a spread in line with market conditions.

As a result of the merger and the financing agreement described in Note 18.1.4, in 2018 and 2019 the Parent and certain subsidiaries obtained waivers from the following financial institutions and insurance companies: Bankia, S.A., BBVA, S.A., Liberbank, S.A., Caixabank, S.A., Abanca, S.A., Unicaja Banco, S.A., Bankinter, S.A., Banco Sabadell, S.A., Kutxabank, S.A., Banco Santander, S.A., Liberty Mutual Insurance Europe Limited and QBE Insurance (Europe) Limited, to comply with the clauses included in certain contracts.

In view of these waivers, at the date of these consolidated annual accounts the Parent's management considers that the Group complies with all the covenants in the loan agreements.

Credit lines as of 31 December 2019 and 31 December 2018 include the amount drawn down, recorded at amortised cost, of a credit line arranged with Banco Popular to finance the purchase of land, with an available limit of 121 million euros, of which 105 million euros were drawn down as of 31 December 2019 (fully drawn down as of 31 December 2018).

The debts of the associates amounted to 4,311 thousand euros at 31 December 2019 and 18,450 thousand euros at 31 December 2018.

In 2018 the Parent carried out a capital increase for non-monetary consideration consisting of the capitalisation of certain bilateral loans that the shareholders had granted it for a carrying amount of 98,839 thousand euros (see Note 16.1).

18.1.2. Loans secured by mortgages on inventories

The "Development Loans" on developments under construction and on buildings constructed amounting to 224,621 thousand euros and the "Loans for the Purchase of Land" amounting to 47,500 thousand euros are defined as mortgage loans secured by inventories, totalling 272,121 thousand euros (see Note 15).

The total liability for financial liabilities associated with "Inventories" is presented under current liabilities in the accompanying consolidated statement of financial position, irrespective of the date on which it is actually repaid.

The detail of loans secured by mortgages on inventories at 31 December 2019 and 2018 is as follows:

	Thousands of Euros	
	2019	2018
Mortgage loans secured by property developments in progress	**165.110**	**80.450**
Of the Parent (see Note 16.4)	116.799	28.316
Of the subsidiaries (see Note 16.4)	48.311	52.134
Mortgage loans secured by completed developments	**59.511**	**2.270**
Of the Parent (see Note 16.3)	48.011	-
Of the subsidiaries (see Note 16.3)	11.500	2.270
Mortgage loans secured by land and plots	**47.500**	**34.308**
Of the Parent	37.097	12.384
Of the subsidiaries	10.403	21.924
	272.121	**117.028**

In 2019, as part of the merger process (see Notes 1 and 7), the Parent incorporated bank borrowings amounting to 113,574 thousand euros relating to mortgage loans on inventories of the absorbed companies.

The main changes in 2018 in mortgage loans on inventories relate to transactions for the repayment of these loans through the delivery of assets to secure the loans, totalling 56,613 euros thousand in 2018.

Certain development loan agreements provide for accrued interest to be capitalised as principal on each interest payment date. The cost of capitalised interest at 31 December 2019 and 2018 amounted to 13,078 thousand euros and 2,405 thousand euros, respectively.

Mortgage loans bear annual interest at a variable rate. In 2019 and 2018, the rates were 1.00% to 3.5% (1.75% to 3.5% in 2018).

18.1.3. Derivative Financial Instruments

The Group has entered into OTC derivative financial instruments with national and international financial institutions with a high credit rating.

The Group is currently subrogated to a maximum interest rate (CAP) transaction, the characteristics of which are as follows:

					Thousands of Euros
Financial Instruments	Maturity	Notional	Variable reference rate	CAP rate	Value at 31 December 2019 (NOTE 14)
CAP	22/04/2021	9.000.000	Euribor 12M	0%	1

For this instrument the Group is entitled to receive a positive settlement if the Euribor 12M set at the beginning of the quarterly calculation period is higher than the corresponding Cap rate. This settlement is paid quarterly, and is the difference between the Euribor 12M and the Cap rate on the nominal amount of the transaction.

18.1.4. Senior syndicated loan

On 2 January 2019, the Parent signed a senior syndicated financing agreement for 223,000 thousand euros as the original borrower. The Parent, Vía Célere, S.L.U., Maywood Invest, S.L.U. and Udralar, S.L.U., as the original guarantors, J.P. Morgan Securities PLC and Credit Suisse International as coordinators, a number of financial entities as original lenders, and Credit Suisse International as agent and security agent. The initial amount was distributed by means of an Acquisition facility (loan) amounting to 185,331 thousand euros, which is fully drawn down and classified as Other Loans, and a Revolving Credit Facility (RCF) amounting to 37,669 thousand euros classified as a line of credit.

The syndicated senior loan has a duration of two years, with final maturity on 2 January 2021, extendable for an additional year if certain conditions are met, and accrues an interest rate based on the EURIBOR plus a market differential.

The Parent undertakes to comply with certain covenant financial obligations during the term of the loan and relating to its quarterly Consolidated Financial Statements. These obligations are as follows:

- Commitment to comply with a ratio known as "LTV", understood as the quotient between: *Net Debt* and Gross *Assets* Value ("GAV").

  This ratio should be less than 45%, is met by 31 December 2019.

- Commitment to comply with at least 85% of the consolidated EBITDA, the contribution by the guarantor companies of the senior syndicated loan and at least 5% of the total aggregate assets (calculated on a non-consolidated basis and excluding all intragroup elements and investments in investees).

In addition, a guarantee was given on the shares of the following Group companies: Vía Célere, S.L.U., Maywood Invest, S.L.U. and Udralar, S.L.U. In relation to these guarantees, during 2019 the guarantee on Maywood Invest, S.L.U and Udralar, S.L.U has been released.

18.2. Trade and other payables

The "Trade and other payables" heading includes mainly the amounts payable for trade purchases and related expenses. Its detail are as follows:

	Thousands of Euros	
	2019	2018
Short-term suppliers	122.704	41.196
Staff, remuneration outstanding	2.674	1.442
Advances from clients (Note 16.5)	163.015	92.909
	288.393	**135.547**

19. Average period of payment to suppliers. "Information Requirement", Additional Provision Three of Law 15/2010 of 5 July 2010"

The detail of payments to suppliers by Spanish consolidated company is as follows:

	Payments made and outstanding at the balance sheet date	Payments made and outstanding at the balance sheet date
	2019	2018
	Days	Days
Average period of payment to suppliers.	64	55
Key figure of paid transactions	67	58
Key Figures for outstanding transactions	40	43
	Amount (Euros)	Amount (Euros)
Total payments made	340.161.631	99.121.313
Total payments pending	70.801.559	32.486.260

In accordance with the ICAC Resolution, the calculation of the average period for payment to suppliers has taken into account the transactions considered as commercial transactions corresponding to the delivery of goods or services accrued during each financial year.

Suppliers are defined, solely for the purposes of reporting information under this Resolution, as trade creditors of debts to suppliers of products or services, included under the heading of suppliers and other creditors of current liabilities in the consolidated statement of financial position.

The average period for payments to suppliers has been calculated, as indicated in the ICAC Resolution of 29 January 2016, by applying the weighted average of the following two ratios:

- Ratio of transactions paid: average payment period of transactions paid in the year weighted by the amount of each transaction.
- Outstanding transactions ratio: average payment period between the invoice and the end of the year weighted by the amount of each transaction.

20. Financial risk management and fair value

20.1. Financial risk management

Risk management framework

The Group's activities are exposed to credit risk, interest rate risk and liquidity risk. The Group's overall risk management programme seeks to reduce these risks through a variety of methods, including the use of financial instruments.

Financial risk management is centralized in the Corporate Finance Department, which has established the necessary mechanisms to manage exposure to credit and liquidity risk and, to a lesser extent, interest rate risk.

20.2. Exposure to credit risk

Credit risk is the risk of financial loss that the Group may suffer if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises in particular from the Group's customer receivables and investments in debt securities.

The Group does not have significant credit risk, since its customers and the institutions in which cash placements or derivatives are arranged are highly solvent entities in which counterparty risk is not significant.

The Group's main financial assets are cash and balances, trade and other receivables and investments, which represent the Group's maximum exposure to credit risk in relation to financial assets, without taking into account any guarantees provided and other credit enhancement mechanisms.

The Group's credit risk is mainly attributable to its trade debts. The amounts are reflected in the consolidated statement of financial position net of provisions for bad debts, estimated by Group management on the basis of past experience and its assessment of the current economic environment. The Group has formal procedures for the detection of objective evidence of impairment of trade debts, in line with the provisions of IFRS 9. The impairment of trade receivables at 31 December 2019 amounted to 3,254 thousand euros (156 thousand euros in 2018) (see Note 14.2). The balances of trade debts without credit risk are not included in this provision at the end of 2019 and 2018.

The credit risk of liquid funds and derivative financial instruments is limited because the counterparties are banking entities that have been assigned high ratings by international credit rating agencies.

The Group does not have a significant concentration of credit risk. Risk exposure is diversified among numerous clients.

The Group monitors and has established specific credit management procedures, establishing conditions for the acceptance of orders and carrying out periodic monitoring of these orders.

20.3. Exposure to interest rate risk

The exposure to this risk is due to changes in the future cash flows of the debt contracted at variable interest rates (or with short-term maturity) as a result of changes in market interest rates.

The objective of managing this risk is to cushion the impact on the cost of debt caused by fluctuations in these interest rates.

The Group analyses its exposure to interest rate risk dynamically. In 2019 and 2018 all financial liabilities with floating interest rates were denominated in euros.

20.4. Liquidity risk exposure

The Group manages its liquidity risk prudently, based on maintaining sufficient cash and marketable securities, the availability of financing through a sufficient amount of committed credit facilities and sufficient capacity to settle market positions. The Group determines its cash requirements through the cash budget, with a time horizon of 12 months. The Group considers that the agreed financing framework is sufficiently flexible to accommodate the dynamic needs of the underlying businesses.

The Group also presents the necessary financing for the development of the assets classified as "Property developments in progress". These loans are conditional upon the specific construction of the developments to which they are associated, and their decrease is presented gradually with the progress of the construction work and, therefore, the Group depends solely on the cash available at 31 December 2019 to guarantee the continuity of the business. Annex III shows the details of these loans, indicating the limit approved and the amount drawn down as at 31 December 2019.

21. Public administration and fiscal situation

Since 1 January 2016, the Parent Company has been taxed under the consolidated corporate income tax regime (Group 0258/16). Subsidiaries in the tax group are all subsidiaries resident in Spain in which the Parent Company has a direct or indirect ownership interest of 75% or more.

With effect from 1 January 2018 companies acquired by the Parent Company in 2017 were included in the tax consolidation group.

At 31 December 2019 and 2018, the tax consolidation group is as follows:

Tax Group
2019
Parent
Vía Célere Desarrollos Inmobiliarios, S.A.
Subsidiaries
Copaga, S.A.
Udralar, S.L.U.
Udrasur Inmobiliaria, S.L.U.
Torok Investment 2015, S.L.U.
Vía Célere, S.L.U.
Vía Célere 1, S.L.U.
Vía Célere 2, S.L.U.
Vía Célere Gestión de Proyectos, S.L.U.
Conspace, S.L.U.
Vía Célere Catalunya, S.L.U.
Maywood Invest, S.L.U.

21.1. Balances with Public Administrations

The composition of balances receivable from public authorities is as follows:

	Thousands of Euros	
	2019	**2018**
Deferred tax assets		
Deductible temporary differences	49.609	45.385
Credits in respect of loss carryforwards	25.393	25.704
	75.002	**71.089**
Current:		
VAT recoverable	12.228	2.952
Withholdings and payments on account	7	-
Current tax receivable	109	96
	12.344	**3.048**
Total	**87.346**	**74.137**

The composition of the balances payable to public authorities is as follows:

	Thousands of Euros	
	2019	**2018**
Non-current:		
Deferred tax liabilities	12.621	13.852
	12.621	**13.852**
Current:		
Income tax payable (VAT)	12.987	2.515
Income tax payable (CIT)	654	1.061
Social security payable	526	365
Other taxes payable	168	574
	14.335	**4.515**
Total	**26.956**	**18.367**

21.2. Deferred tax assets and liabilities

The detail of the balance of the heading "Deferred tax assets" at the end of 2019 and 2018 is as follows

	Thousands of Euros			
	Balance at 31/12/2018	**Addition**	**Disposal**	**Balance at 31/12/2019**
Assets with tax value different from the accounting value	5.514	304	-	5.818
Reversal of 30% accounting depreciation costs	861	-	(101)	760
Non deductible finance costs	38.500	1.955	(198)	40.257
NOLs	25.704	-	(79)	25.625
Tax deductions	-	1.508	-	1.508
Others	223	307	-	530
Consolidation adjustments	287	217	-	504
Total	**71.089**	**4.291**	**(378)**	**75.002**

The detail of the heading "Deferred tax liabilities" at 31 December 2019 and 2018 is as follows:

	Thousands of Euros		
	Balance at 31/12/2018	**Disposal (residential business)**	**Balance at 31/12/2019**
Revaluation of assets from prior reorganizations	9.029	(798)	8.231
Exemption for reinvestment tax credits	1.591	(52)	1.539
Consolidation adjustments	3.232	(381)	2.851
Total	**15.780**	**(1.231)**	**12.621**

The Group's main deferred tax assets and liabilities are related to the following items:

- Non-deductible financial expenses. In accordance with article 16 of the IS Law, net financial expenses will be deductible annually up to a limit of 30 % of the year's operating profit, and net financial expenses of 1 million euros may be deducted in any case. In 2018 the Company recognised as a deferred tax asset the non-deductible finance costs of previous years amounting to 36,208 thousand euro (tax liability), since the Company's governing body considered that at 2018 year-end it was reasonably assured that future taxable profits would be obtained that would allow the finance costs not deducted in previous years to be deducted. In 2019, an addition of 1,955 thousand euros was recorded for this item.

Credits for loss carryforwards. In 2018 the Company recorded deferred tax assets relating to tax losses from previous years that have not yet been offset. In previous years, the Company's board of directors considered that the economic and financial situation of the tax group was not consolidated and, therefore, the recovery of the aforementioned bases was not reasonably assured. In the financial year 2018 the board of directors carried out a reassessment of the situation of the tax group and concluded that the obtaining of future tax benefits that would allow the offsetting of these tax losses is reasonably assured.

- Limitation to book depreciation. In 2013 and 2014, only 70 % of the accounting depreciation expense was deductible for tax purposes, and the remaining 30 % was recorded as a tax credit (deferred tax asset) which is reversed on a straight-line basis over 10 years.

- In 2019 the Parent recognised an impairment loss of 6,032 thousand euros in relation to its ownership interest in Célere Fórum Barcelona, recognising a deferred tax asset of 1,508 thousand euros for the difference between the carrying amount and the tax value of the ownership interest.

- Difference between book and tax value of assets from different business restructuring operations.

To assess the recoverability of the deferred tax assets, the Company also took into account the valuation of the inventories at the end of 2019 carried out by Savills, which reflected a fair value of the inventories of 2.167 million euros (see Note 15). 6), as well as the business plan prepared by the Group for 2019-2029 and the forecast sales of promotions included in the aforementioned plan, which also included those of the companies integrated during the year (see Note 1), and which were carried out taking into account the characteristics of the Spanish real estate sector in which the Group operates.

At 31 December 2019 the Group had signed sales contracts amounting to 1.073 million euros (see Note 15.5). On the basis of this evidence, the Group estimates that it will recover all the tax credits recognised in less than ten years.

21.3. Reconciliation of accounting profit and tax base

The reconciliation between consolidated accounting profit and taxable profit is as follows:

	Thousands of euros	
	2019	**2018**
Consolidated profit for the year	22.435	84.786
Corporate Income Tax	(4.155)	(60.823)
Profit / (Loss) before taxes	**18.280**	**23.963**
Permanent differences	(29.542)	(26.350)
Temporary differences	16.101	6.776
Offsetting of tax losses from previous years	(977)	(4.209)
Consolidation adjustments	3.748	7.348
	7.611	**7.528**

The relationship between the income tax expense/(income) and the profit/(loss) for the year is as follows:

	Thousands of euros	
	2019	**2018**
Balance of income and expenditure before taxes for the fiscal year	18.280	23.963
25% tax	**4.570**	**5.991**
Permanent differences	(7.582)	(6.707)
Unrecognised temporary differences	-	-
Deductions and bonuses for the current year	(77)	(246)
Adjustments from previous years	273	379
Tax credits applied but not recognised in prior years	(244)	(1.052)
Tax credits not recognised in prior years	-	(25.345)
Deferred tax assets not recognised in prior years	-	(36.721)
Expense for reduction of deferred tax assets	836	-
Income from reversal of deferred tax liabilities	(1.981)	-
Exemption for reinvestment of prior years' profits	-	1.644
Other	50	(17)
Assets with a tax value other than carrying amount	-	1.008
Revaluation of assets from previous reorganisations	-	243
	(4.155)	**(60.823)**

The detail of the income tax expense/(income) in the consolidated income statement is as follows:

	Thousands of euros	
	2019	**2018**
Current Tax		
From year	1.533	1.882
Consolidation adjustments	(740)	323
Adjustments from previous years	273	379
Tax deductions applied not recognised in previous years	(77)	(246)
	989	**2.338**
Deferred taxes		
Origin and Reversal of Temporary Differences	-	-
Activation of financial expenses	(1.757)	-
Tax loss carryforwards	79	-
Provisions for impairment of investments	(1.508)	-
Limitation on the deduction of depreciation	101	101
Assets with taxable value other than carrying amount	(304)	1.264
Tax deductions	-	20
Consolidation adjustments	(598)	(2.450)
Revaluation of assets from previous reorganisations	(798)	(168)
Other deferred adjustments	(307)	-
Exemption for reinvestment of profits	(52)	1.591
Tax credits not recognised in prior years	-	(38.174)
Deferred tax assets not recognised in prior years	-	(25.345)
Expense for reduction of deferred tax assets	-	-
	(5.144)	**(63.161)**
From continuing operations	**(4.155)**	**(60.823)**

The main adjustments for permanent differences to the accounting profit for 2019 are as follows:

- In 2017, as a result of the transfer of real estate in the carve-out operation carried out in favour of Dospuntos Asset Management, S.L. (an entity related to VCDI under the terms established in Article 42 of the Commercial Code), an accounting loss was generated that was not considered tax deductible in application of the provisions of Article 11.9 of the Income Tax Law. In 2019, Dospuntos Asset Management, S.L. transferred to independent third parties a portion of the assets that gave rise to the non-deductible loss at VCDI's headquarters, and, accordingly, VCDI included in its taxable profit an amount of 20,232 thousand euros relating to part of the deferred loss in 2017.

- Elimination of the financial income of 9,088 thousand euros arising from the dividend received from Celere Forum Barcelona, S.L., as it meets the requirements established in Article 21 of the Corporate Income Tax Law.

In 2019, the main temporary tax differences in accounting profit are as follows:

- Impairment of certain inventories with carrying values different from taxable values (1,215 thousand euros).
- Impairment of VCDI's interest in Célere Fórum Barcelona amounting to 6,032 thousand euros.
- Positive adjustment of 7,819 thousand euros arising from the limitation on the deductibility of financial expenses, in accordance with Article 16 of the Corporate Income Tax Law.
- Negative adjustment of 401 thousand euros corresponding to the reversal of accounting amortisation expenses

The detail of income tax expense/(income) for 2019 and 2018 is as follows:

	Thousands of Euros	
	2019	**2018**
Current Tax		
Current Tax of the year	654	3.138
Consolidation Adjustments	257	**(3.503)**
Adjustments from prior years	(1.524)	**418**
	(613)	**53**
Deferred Tax		
Origin and reversal timing differences	(4.025)	(60.533)
	(4.025)	**(60.533)**

21.4. Deductions to be compensated

The legislation in force regarding Corporate Tax establishes various tax incentives. The tax credits earned in a given year that cannot be offset during that year because they exceed the applicable legal limits may be taken to reduce the income tax payable in subsequent years, within the limits and time periods established by the related tax legislation.

The tax credits taken in prior years are as follows:

Year	Thousands of euros	Description
2015	20	Deductions due to reversal of temporary measures
	20	

The tax credits generated and applied during 2019 are as follows:

Year	Thousands of Euros	Description
2019	57	Donation deduction
	57	

21.5. Tax losses carryforwards

The Group's tax loss carryforwards at 31 December 2019 are detailed below:

(i) The individual tax losses per company are as follows:

	Thousands of euros									
Year	Vía Célere Desarrollos Inmobiliarios S.A.	Copaga, S.L.U.	Udralar, S.L.U.	Udrasur Inmobliaria, S.L.U.	Torok Investment 2015, S.L.U.	Maywood Invest, S.L.U.	Via Celere, S.L.	Via Celere 1, S.L.	Conspace, S.L.	Total
2003	-	-	-	1	-	-	-	-	-	-
2004	-	-	-	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-	-	-	-
2006	-	35	-	-	-	-	-	-	-	-
2007	-	1	-	-	-	-	-	-	-	-
2008	-	62	8.983	1	-	-	-	-	-	9.046
2009	1.382	23	1.813	1	-	-	-	-	-	3.219
2010	27.374	55	1.815	-	-	-	-	-	-	29.244
2011	44.313	111	2.014	-	-	-	-	-	-	46.438
2012	54.446	-	-	-	-	-	-	-	-	54.446
2013	133.580	25	9.613	-	-	1	-	-	-	143.219
2014	-	-	-	-	-	12	-	-	-	12
2015	160.436	-	50.466	14	-	793	-	-	-	211.709
2016	-	-	-	-	1.164	1.379	-	-	-	2.543
2017	-	-	-	-	-	1.765	2.641	15	250	4.671
TOTAL	421.531	312	74.704	16	1.164	3.950	2.641	-	250	504.546

(ii) The tax losses of the tax group are as follows:

	Miles de Euros									
Año	Via Celere Desarrollos Inmobiliarios S.A.	Copaga, S.L.U.	Udralar, S.L.U.	Udrasur Inmobliaria, S.L.U.	Torok Investment 2015, S.L.U.	Maywood Invest, S.L.U.	Via Celere, S.L.	Via Celere 1, S.L.	Conspace, S.L.	Total
2017	24.836	1.299	-	332	337	-	-	-	-	26.804
TOTAL	24.836	1.299	-	332	337	-	-	-	-	26.804

The tax losses of the Parent Company and its subsidiaries may be offset in the future, without any time limit, but in accordance with the quantitative limits set out in Royal Decree Law 3/2016 of 2 December. As mentioned in section 2 of this Note, during 2018 the Group proceeded to activate tax losses from previous years amounting to 101,376 thousand euros.

21.6. Restructuring operations

During 2019 the merger by absorption of the Company (as the absorbing entity) with the parent companies, the project companies of the operating companies of Aelca and Ponsnova Inmuebles, S.L.U. was carried out. (as absorbed entities), by means of simultaneous execution and in unity of act, with extinction of all of them and block transfer of their respective assets to the absorbing entity, which acquires by universal succession the totality of the rights and obligations of the former (See Notes 1 and 7).

The merger by absorption was subject to the tax neutrality regime provided for in Heading VIII, Chapter VII of the LIS, and the corresponding notification was made to the Tax Authorities within the term provided for in the LIS.

Although the merger was tax-neutral, there is no difference between the book and tax values, since all the assets were recorded in the same accounts as those of the absorbed entities.

21.7. Fiscal years pending verification and inspection actions

At present, all the Group companies resident in Spain have the following taxes open for review by the tax authorities

	Years Open to Inspection
Corporate income tax	2013-2019
Value Added Tax	2014-2019
Personal Income Tax	2016-2019
Capital gains tax	2016-2019
Social Security	2016-2019
Non-Resident Income Tax	2016-2019

On 8 March 2019, the Parent Company of the tax group received notification from the Spanish tax authorities of the commencement of inspection, verification and investigation actions in relation to the following Taxes and periods:

- Corporate income tax: 2013 and 2014.
- Value-added tax: 04/2014 to 06/2015.

Corporate income tax year 2019 cannot be reviewed until the tax return has been filed (July 2020).

However, the right of the tax authorities to check or investigate tax losses used or not yet used, double taxation deductions and deductions to encourage the performance of certain activities applied or not yet applied prescribes 10 years from the day following the end of the period established for filing the tax return or self-assessment corresponding to the tax period in which the right to offset or apply for it arose. Once this period has elapsed, the Group must accredit the negative tax bases or deductions, by means of the exhibition of the settlement or self-assessment and of the accounting, with accreditation of its deposit during the stipulated period in the Companies Registry.

With respect to the rest of the dependent entities not resident in Spain, the years open for inspection are all the years established as maximums by each of the legislation in force in the country of residence.

In July 2017 notification was received of the commencement of tax audits by Vía Célere, S.L.U. and Vía Célere 2, S.L.U. in relation to income tax (2013 to 2014), VAT (periods 07/2013 to 12/2014) and personal income tax (period 07/2013 to 12/2014).

During the 2019 financial year, the minutes of compliance referring to the inspection of VAT and deductions were signed, resulting in an amount to be paid of zero euros. However, for corporate income tax purposes, minutes were signed because they did not agree with the valuations carried out by the Technical Office of the Special Delegation of the Tax Administration on certain assets, and therefore the Company has requested a contradictory expert valuation.

On 1 September 2017, the Company received notification of the processing of allegations and proposal for the provisional liquidation of the corporate income tax for the year 2015. Under the proposal, the tax authorities made the following deductions as a result of a formal error in the completion of the 2014 consolidated tax return filed by Grupo Empresarial San José (the parent company of the tax group in which the Company was then integrated), in which all of the tax losses corresponding to the Company were allocated:

1. Consolidated tax loss carryforwards: reduction of 259,713 thousand euros.
2. Tax credits for double taxation: a reduction of 48 thousand euros.

On 10 April 2018, the tax authorities requested the Company to clarify the allocation of negative tax bases that were pending compensation at the beginning of fiscal year 2016, and that coincided with those credited in the self-assessment for fiscal year 2015.

Grupo Empresarial San José presented a rectification of the self-assessment of the consolidated tax, recognising the rights questioned by the tax administration in the aforementioned procedure.

On 3 May 2018, the tax administration notified the positive resolution of the open procedure on the negative tax bases for 2106. Therefore, once the tax loss carryforwards declared by the Company in 2016 have been validated, the tax loss carryforwards that were questioned with respect to 2015 have been tacitly validated.

As a result of this procedure, no sanctioning procedures have been opened.

In any event, the Parent Company's Board of Directors considers that the aforementioned taxes have been properly settled and, therefore, even if discrepancies arise in the current legal interpretation of the tax treatment of the transactions, any resulting liabilities, if any, would not materially affect these consolidated annual accounts.

22. *Guarantees committed to third parties and litigation*

The Group has contingent liabilities for bank guarantees and other collateral related to the normal course of business amounting to 283,847 thousand euros (211,576 thousand euros at the end of 2018). The Parent's governing body considers that no additional liabilities will arise for the Group as a result of the transactions covered by these guarantees and warranties.

23. *Income and expenses*

23.1. Net turnover

The detail of the Group's revenue in 2019 and 2018, by type of product and geographical area, is as follows:

	Spain		Portugal		Total	
	2019	2018	2019	2018	2019	2018
Revenue from sale of property developments	362.703	156.749	-	299	362.703	157.048
Revenue from property leases	11	15	-	-	11	15
	362.714	**156.764**	**-**	**299**	**362.714**	**157.063**

As indicated in Note 6, the Group has a single segment, the residential development business, in which a distinction is made between the results generated by assets that will be developed and promoted (developments) and those generated by assets that form part of the Group's core business and are considered to be non-strategic (legacies).

In addition, income from the sale of property developments includes 1,465 thousand euros (31 December 2018: 1,211 thousand euros) as a result of the recognition of income from the application of IFRS 15.

In 2019 and 2018, the revenues correspond to:

- the sale of property developments, which amounted to 354,678 thousand euros (119,587 thousand euros in 2018).
- the sale of land amounting to 7,216 thousand euros (21,893 thousand euros in 2018)
- and sales of non-strategic assets, which amounted to 809 thousand euros in 2018 (15,568 thousand euro in 2018).

23.2. Variation in inventories and supplies

The breakdown of "Variation in inventories of finished goods and work in progress" is as follows:

	Thousands of Euros	
	2019	2018
Cost of goods sold	**(292.743)**	**(175.067)**
Impairment of finished goods and work in progress	14.836	52.907
Changes in inventory of land and work in progress	**428.742**	**169.303**
Raw material capitalised	421.371	165.184
Other expenses capitalised	157	417
Personnel expenses capitalised	7.214	3.702
Total	**150.835**	**47.143**

23.3. Staff

The average number of employees at the Group in 2019 and 2018, by professional category, was as follows:

	2019	2018
General Management	5	5
Directors and deparment heads	98	59
Technicians	119	75
Commercial staff	42	20
Staff	80	43
Other	117	65
	461	267

The distribution of the Group's staff, by professional category and gender, at the end of 2019 and 2018 is as follows:

	2019		2018	
	Women	Men	Women	Men
General Management	3	2	3	2
Directors and deparment heads	34	65	25	44
Technicians	64	61	41	59
Commercial staff	36	12	20	6
Staff	54	32	38	26
Other	3	116	3	99
	194	288	130	236

At 31 December 2019 and 2018, the members of the Parent's governing body were 4 and all of them were men.

The Group's average workforce with a degree of disability of 33% or more during the financial years 2019 and 2018 is as follows:

	2019	2018
General Management	-	-
Directors and deparment heads	-	-
Technicians	1	1
Commercial staff	1	-
Staff	2	1
Other	2	1
	6	3

23.4. Staff expenses

The detail is as follows:

	Thousands of Euros	
	2019	2018
Wages, salaries and similar	(20.018)	(11.680)
Employee benefits expense	(5.395)	(3.073)
Severance payments/indemnities	(38)	(569)
Total	**(25.451)**	**(15.322)**

In 2019, personnel expenses amounted to 25,460 thousand euros, of which 2,119 thousand euros related to internal commercial staff (1,242 thousand euros in 2018) (this amount is allocated in the contribution margin).

Staff costs capitalised to "Property developments in progress" in 2019 amounted to 7,214 thousand euros (see Note 23.2).

23.5. Audit Fees

The fees for the services provided by the auditing firm KPMG Auditores, S.L. for the Group's annual accounts for the years ended 31 December 2019 and 2018, irrespective of the time of invoicing, are as follows

	Thousands of Euros	
	2019	2018
Audit services	247	787
Other services	5	9
Total	**252**	**796**

In addition, other affiliates of KPMG International invoiced the Group in the years ended 31 December 2019 and 2018 for professional services, as detailed below:

	Thousands of Euros	
	2019	2018
Audit Services	18	14
Total	**18**	**14**

The Group did not receive services from other auditors during the years ended 31 December 2019 and 2018.

23.6. Other expenses

The detail is as follows:

	Thousands of Euros	
	2019	2018
External services	(25.196)	(15.640)
Tributes	(6.329)	(3.719)
Other	(9.080)	(1.393)
Total	**(40.605)**	**(20.752)**

"External Services" includes 6,199 thousand euros relating to advisory services, legal, administrative and financial management, technical assistance and marketing services provided in the first three months of 2019 by Aelca Desarrollos Inmobiliarios as a result of the merger described in Note 1.

External services expenses capitalised as "Property developments in progress" at 31 December 2019 amounted to 1,338 thousand euros (417 thousand euros in 2018) (see Note 23.2).

In 2018 the Parent incurred expenses for independent professional services (audit, legal and judicial consultancy, etc.) amounting to 7,495 thousand euros. Also, this heading includes 1,200 thousand euros relating to expenses associated with the "Initial Public Offering" and 1,485 thousand euros relating to the reversal of expenses associated with the "Initial Public Offering" capitalised to current assets due to the low probability of success. This amount was recorded under "Other expenses".

Other Expenses" includes a provision for bad debts amounting to 3,098 thousand euros, arising from the invoicing of penalties to a construction company for breach of contract (see Note 17).

It also includes provisions for tax liability amounting to 530 thousand euros and provisions for liabilities and charges amounting to 1,640 thousand euros (see Note 17).

23.7. Remuneration in kind

At 31 December 2019 and 2018 there was no significant remuneration of this nature.

23.8. Leasing

External services includes 1,645 thousand euros at 31 December 2019 (862 thousand euros at 31 December 2018). The commitments acquired for future instalments whose underlying asset is less than 5 thousand euros or with a duration until 31 December 2020 is 2,123 thousand euros.

23.9. Financial income

The breakdown of the balance of this heading in the consolidated income statement is as follows:

	Thousands of Euros	
	2019	2018
Marketable securities and other	538	386
	538	**386**

23.10. Financial expenses

The detail is as follows:

	Thousands of Euros	
	2019	2018
Interest accrued with group companies (Note 24)	-	(56)
Capitalised finance costs (Note 15)	8.843	7.110
Interest on debts	(35.541)	(12.941)
Interest arising from revenue contracts	4.234	(2.197)
Total	**(22.464)**	**(8.084)**

23.11. Impairment and income from disposal of non-current assets

The detail of these results is as follows:

	Thousands of Euros	
	2019	2018
Gains/(losses) on disposal of property, plant and equipment (Note 9)	-	26
Gains/(losses) on disposal of non-current asset held for sale (Note 11)	-	(57)
Impairment losses on property, plant and equipment (Note 10)	54	(54)
	54	**(85)**

23.12. Impairment and results on disposal of financial instruments

The detail of these results is as follows:

	Thousands of Euros	
	2019	2018
Finance gain/(loss) on disposal of inventory (Note 18.1.3)	-	621
	-	**621**

23.13. Changes in the fair value of financial instruments

The detail of changes in the fair value of financial instruments is as follows

	Thousands of Euros	
	2019	2018
Change in fair value of loans capitalised (Notes 16 and 18)	-	25.819
Other	(24)	(76)
	(24)	**25.743**

24. Transactions and balances with equity accounted and related companies

Details of transactions with related companies

The detail of transactions with related parties during 2019 and 2018 is as follows:

	Thousands of euros			
	2019		2018	
	Provision of services	Other Expenses (Note 23.6)	Expenses Financial	Provision of services
Aelca Desarrollos Inmobiliarios, S.L.	-	6.199	-	-
Maplesville Invest, S.L.U.	-	-	56	-
Celere Forum Barcelona, S.L.	675	-	-	1.172
	675	**6.199**	**56**	**1.172**

Income from services rendered corresponds to Célere Fórum Barcelona, S.L. (a company accounted for using the equity method (see Note 13)) for the provision of management, marketing and accounting services.

Details of balances with related and associated companies

The amount of the balances recorded in the consolidated statement of financial position with related companies is as follows

	2019	
	Thousands of euros	
	Current (Note 14)	Short-term debts (Note 18)
Célere Fórum Barcelona, S.L.	498	-
Vía Agora S.L.U.	-	143
Dospuntos Asset Management, S.L.U.	51	-
	549	-

	2018	
	Thousands of euros	
	Current (Note 14)	Short-term debts (Note 18)
Célere Forum Barcelona, S.L.	121	-
Vía Agora S.L.U.	179	142
Dospuntos Asset Management S.L.U.	186	-
	486	**142**

All transactions and outstanding balances with related parties were carried out at market values.

25. Information regarding Directors and Senior Management

Juan Antonio Gómez-Pintado Rodríguez de Segovia was a director of the Parent until 17 July 2019. José Ignacio Morales Plaza has been the director who has replaced Juan Antonio Gómez-Pintado since 17 July 2019 until the date of formalisation of the Company's annual accounts.

As of 31 December 2019, there are four members of the Board of Directors (four men) and five members of Senior Management (two men and three women), one of whom is a member of the Board of Directors.

25.1. Remuneration of the boards of directors and senior management

During the financial years 2019 and 2018 the members of the Board of Directors of the Company have not received any remuneration for their position as directors. Senior executives' remuneration in 2019 and 2018 amounted to 1,611 thousand euros and 3,513 thousand euros, respectively.

There are no advances or loans granted to all the members of the boards of directors.

In 2019 no obligations were assumed on behalf of the management bodies by way of guarantee, and civil liability insurance premiums for damage caused by acts or omissions in the year of office of 56 thousand euros were paid (the same amount in 2018). The Group also has life insurance commitments related to current members of senior management.

25.2. Transactions outside the ordinary course of business or under different market conditions carried out by the Directors and by the members of the Steering Committee of the Company Parent.

In relation to the ownership interests in the share capital of the members of the managing bodies and, in particular, of the members of the Board of Directors of the Parent or persons related to them, in 2019 and 2018 the directors and members of the Committee did not perform transactions with the Company or with Group companies that were not in the ordinary course of business or on terms and conditions other than those prevailing in the market.

25.3. Conflict of interest situations of members of the Group's management bodies

Except as detailed below, the members of the Group's governing bodies and the persons related to them have not incurred in any conflict of interest that has had to be reported in accordance with the provisions of article 229 of the TRLSC:

Mr Héctor Serrat Sanz and his related persons have incurred, during the financial year 2019 and up to the date of preparation of these consolidated annual accounts, in a situation of direct or indirect conflict with the interest of the Company, and therefore have had to abstain from intervening in the agreements or decisions relating to such a situation of conflict, due to their status as Directors of La Finca Global Assets, SOCIMI, S.A, Director of Mansfield Invest SOCIMI, S.A., Chairman of the Board of Directors of Dospuntos Asset Management, S.L., and to his professional relationship with Värde Partners, Inc., the entity that manages the funds owned, directly or indirectly, by shareholders who, together, hold the majority of the Company's share capital. In particular, he had to abstain from the tenth resolution of the Parent Company's Board of Directors meeting dated 13 February 2019 and the sixth resolution of the Company's Board of Directors meeting dated 22 November 2019.

Mr Francisco Milone and his related persons have incurred, during the financial year 2019 and until the date of preparation of these consolidated annual accounts, in a situation of direct or indirect conflict with the interest of the Company, and therefore he has had to abstain from intervening in the agreements or decisions relating to such a situation of conflict, due to his condition as a Director of Finca Global Assets, SOCIMI, S.A. and to his professional relationship with Värde Partners, Inc., the entity that manages the funds owned, directly or indirectly, by shareholders who, together, hold the majority of the Company's share capital. In particular, he had to abstain from the seventh resolution of the Parent Company's Board of Directors meeting on 22 November 2019.

Mr Jaime Echevarría and his related persons have not incurred, during fiscal year 2019 and until the date of preparation of these consolidated annual accounts, in a situation of direct or indirect conflict with the Parent Company's interest, and therefore have not had to abstain from intervening in agreements or decisions relating to this situation of conflict. However, Jaime Echevarría has responsibilities in companies whose object is similar to that of Vía Célere Desarrollos Inmobiliarios, S.A. given his status as Director of Dos Puntos Asset Management, S.L.

Mr Juan Antonio Gómez Pintado Rodríguez de Segovia has not incurred, since 1 January 2019 and until 17 July 2019, in any direct or indirect conflict with the interests of the Company, and therefore has not had to abstain from intervening in the agreements or decisions relating to such conflict, due to his status as sole director of Vía Ágora, S.L.U. and Managing Director of the Company (the latter position he held until 17 July 2019).

Additionally, during this period, Mr Juan Antonio Gómez-Pintado Rodríguez de Segovia, had the following responsibilities in companies with a similar corporate purpose to the Group, in Spain and abroad

- In his capacity as the natural person representative of the sole director of Quick Home Residential, S.L.U.
- In his capacity as sole director of Agora Sofia 2, EOOD.
- In his capacity as sole director of Via Agora Poland, sp zoo.
- In his capacity as joint director of Wolzcynska, sp zoo
- In his condition of direct/indirect owner and director in Via Ágora Brasil Holding, Ltda.
- In his capacity as indirect owner of 1% of the shares of Avantia Romania Desarrollos Inmobiliarios 4, S.L.
- As the indirect owner of 100% of the shares of SP Premiere Jaguaribe Empreendimientos Imobiliarios.
- As the indirect owner of 100% of the shares of Spe Meu Apê Salvador Norte Empreendimientos Imobiliarios, Ltda.
- In his capacity as indirect owner of 50% of the shares of SPE Horto Opera, Ltda.
- In his capacity as indirect owner of 100% of Via Celere Brasil 7 Empreendimientos Imobiliarios, Ltda.
- In his capacity as indirect owner of 100% of SPE Belbedere Empreendimientos Imobiliarios, Ltda.
- In his capacity as indirect owner of 100% of Via Celere Brasil 9 Empreendimientos Imobiliarios, Ltda.
- In his capacity as indirect owner of 100% of Spe Ville Jardim Empreendimientos Imobiliarios, Ltda.
- In his capacity as indirect owner of 100% of Via Ágora Construçoes Ltda.

Mr José Ignacio Morales Plaza and his related persons have been in a situation of direct or indirect conflict with the interests of the Company since 17 July 2019 until the date of preparation of these consolidated annual accounts, and therefore have had to abstain from intervening in agreements or decisions relating to this conflict situation, given his position as the Company's Managing Director. In particular, he had to abstain from the fourth resolution of the meeting of the Board of Directors of the Parent Company dated 17 July 2019 and from the second and third resolutions of the meeting of the Board of Directors of the Company dated 22 November 2019. Also, in his capacity as the individual representing the position of sole director or that held by the Parent at various Group companies, as well as joint director of Célere Fórum Barcelona, S.L., neither he nor his related persons were in a situation of direct or indirect conflict with the interests of the Parent in 2019 and until the date of preparation of these consolidated annual accounts, and therefore he did not have to abstain from intervening in agreements or decisions relating to this conflict situation. Finally, Mr José Ignacio Morales Plaza participates in the management of or holds an interest in Navamolo, S.L. and Moviplamopla, S.L., entities with a similar corporate purpose to Via Celere.

Mr Fernando Romón Sánchez, in his capacity as a member of the board of directors of certain Group companies and his related persons have not incurred, during fiscal year 2019 and until the date of preparation of these consolidated annual accounts, in a situation of direct or indirect conflict with the Parent Company's interest, and therefore have not had to abstain from intervening in agreements or decisions relating to this situation of conflict.

26. Environmental information

In view of its activity as a property developer, the Group does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position and results of its operations. Therefore, no specific disclosures relating to environmental issues are included in these Notes to the consolidated annual accounts.

27. Subsequent events

Coronavirus COVID-19

The outbreak of the coronavirus (COVID-19) in February and March 2020 has led to an unprecedented international health crisis, which is expected to impact the macroeconomic environment and business performance globally. To address this situation, among other measures, the Spanish Government has declared a state of alarm by publishing Royal Decree 463/2020 of 14 March, and has approved a series of urgent extraordinary measures to address the economic and social impact of COVID-19 by Royal Decree Law 8/2020 of 17 March.

As of the date of preparation of these annual accounts, the impact on our operations is limited to the temporary slowdown in our business activities and production rate of the works, and we believe that we will be able to recover some or all of this slowdown when we return to the normal level of activity. However, the scope and duration of the preventive measures decreed by the authorities, and therefore the effect they could have on our results and future activity, are difficult to estimate given the current situation of uncertainty. The most significant risk to our business would result from a potential deterioration in the macroeconomic context, as our business is strongly related to GDP, the unemployment rate and the purchasing power of families.

Annex I

	Name	Shareholders	Percentage of onwership interest	Audit Firm (*)	Type	Activity
1	Habitatio Urbana, S.L.U.	Aelca Desarrollos inmobiliarios, S.L.	100%	KPMG	Operanting Company From ADI	Real estate devolpment
2	Novosolum Urbana, S.L.U.	Aelca Desarrollos inmobiliarios, S.L.	100%	KPMG	Operanting Company From ADI	Real estate devolpment
3	Ponsnova Inmuebles, S.L.U.	Lewistown Invest, S.L.U.	100%	KPMG	Operanting Company From ADI	Real estate devolpment
4	Campuslar Inmuebles, S.L.U.	Aelca Desarrollos inmobiliarios, S.L.	100%	KPMG	Operanting Company From ADI	Real estate devolpment
5	Segeslar Inmuebles, S.L.U.	Aelca Desarrollos inmobiliarios, S.L.	100%	KPMG	Operanting Company From ADI	Real estate devolpment
6	Generlar Inmuebles, S.L.U.	Aelca Desarrollos inmobiliarios, S.L.	100%	KPMG	Operanting Company From ADI	Real estate devolpment
7	Numen Inmuebles, S.L.U.	Aelca Desarrollos inmobiliarios, S.L.	100%	KPMG	Operanting Company From ADI	Real estate devolpment
8	Velan Urbana, S.L.U.	Aelca Desarrollos inmobiliarios, S.L.	100%	KPMG	Operanting Company From ADI	Real estate devolpment
9		Myjoja, S.L.	20%			
	Promyva Inmuebles, S.L.	Lewistown Invest, S.L.U.	80%	KPMG	Special Purpose Vehicule	Real estate devolpment
10	Promyva Inmuebles I, S.L.U.	Promyva Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
11	Promyva Inmuebles II, S.L.U.	Promyva Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
12	Promyva Inmuebles III, S.L.U.	Promyva Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
13	Promyva Inmuebles IV, S.L.U.	Promyva Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
14	Promyva Inmuebles V, S.L.U.	Promyva Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
15	Promyva Inmuebles VI, S.L.U.	Promyva Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
16	Promyva Inmuebles VII, S.L.U.	Promyva Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
17	Promyva Inmuebles VIII, S.L.U.	Promyva Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
18	Promyva Inmuebles IX S.L.U.	Promyva Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
19		Myjoja, S.L.	20%			
	Myvain Inmuebles, S.L.	Lewistown Invest, S.L.U.	80%	KPMG	Special Purpose Vehicule	Real estate devolpment
20	Myvain Inmuebles I, S.L.U.	Myvain Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
21	Myvain Inmuebles II, S.L.U.	Myvain Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
22	Myvain Inmuebles III, S.L.U.	Myvain Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
23	Myvain Inmuebles IV, S.L.U.	Myvain Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
24	Myvain Inmuebles V, S.L.U.	Myvain Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
25	Myvain Inmuebles VI, S.L.U.	Myvain Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
26	Myvain Inmuebles VII, S.L.U.	Myvain Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
27	Myvain Inmuebles VIII, S.L.U.	Myvain Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
28		Myjoja, S.L.	20%			
	Nalentia Urbana, S.L.	Lewistown Invest, S.L.U.	80%	KPMG	Special Purpose Vehicule	Real estate devolpment
29	Nalentia Urbana I, S.L.U.	Nalentia Urbana, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
30	Nalentia Urbana IV, S.L.U.	Nalentia Urbana, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
31	Nalentia Urbana V, S.L.U.	Nalentia Urbana, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
32	Nalentia Urbana VII, S.L.U.	Nalentia Urbana, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
33		Myjoja, S.L.	20%			
	Invamy Urbana, S.L.	Lewistown Invest, S.L.U.	80%	KPMG	Special Purpose Vehicule	Real estate devolpment
34	Invamy Urbana I, S.L.U.	Invamy Urbana, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
35	Invamy Urbana II, S.L.U.	Invamy Urbana, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
36	Invamy Urbana IV, S.L.U.	Invamy Urbana, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
37	Invamy Urbana V, S.L.U.	Invamy Urbana, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
38	Invamy Urbana VI, S.L.U.	Invamy Urbana, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
39		Myjoja, S.L.	10%			
	Nirbe Inmuebles, S.L.	Glenwock Invest, S.L.U.	90%	KPMG	Special Purpose Vehicule	Real estate devolpment
40	Nirbe Inmuebles I, S.L.U.	Nirbe Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
41	Akantia Urbana I, S.L.U.	Nirbe Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
42	Naiva Urbana, S.L.U.	Nirbe Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
43	Invamy Urbana III, S.L.U.	Nirbe Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
44	Invamy Urbana VII, S.L.U.	Nirbe Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
45	Invamy Urbana VIII, S.L.U.	Nirbe Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
46	Nalentia Urbana II, S.L.U.	Nirbe Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
47	Nalentia Urbana VI, S.L.U.	Nirbe Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
48	Akantia Urbana Residencial, S.L.U.	Nirbe Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
49	Selantia Urbana Residencial, S.L.U.	Nirbe Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
50	Akantia Urbana, S.L.U.	Nirbe Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
51	Nuarca Inmuebles, S.L.U.	Nirbe Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
52	Nirbe Costa Este, S.L.U.	Nirbe Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
53		Myjoja, S.L.	10%			
	Nirbe Meseta, S.L.	Rimbey Spain, S.L.U.	90%	KPMG	Special Purpose Vehicule	Real estate devolpment
54	Selantia Urbana I, S.L.U.	Nirbe Meseta, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
55	Selantia Urbana, S.L.	Nirbe Meseta, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
56	Nirbe Costa Sur, S.L.U.	Nirbe Meseta, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
57	Nirbe Norte, S.L.U.	Nirbe Meseta, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
58	Nirbe Sur, S.L.U.	Nirbe Meseta, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
59	Nirbe Este, S.L.U.	Nirbe Meseta, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
60	Nirbe Oeste, S.L.U.	Nirbe Meseta, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
61	Nalentia Urbana III, S.L.U.	Nirbe Meseta, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
62	Nirbe Sierra, S.L.U.	Nirbe Meseta, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
63	Nalentia Urbana VIII, S.L.U.	Nirbe Meseta, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
64	Promyva Inmuebles X, S.L.U.	Nirbe Meseta, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
65		Myjoja, S.L.	10%			
	Nirbe Costa Norte, S.L.	Windham Spain, S.L.U.	90%	KPMG	Special Purpose Vehicule	Real estate devolpment
66	Lancaster Directorship, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
67	Argao Directorship, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
68	Makati Directorship, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
69	Laonan Investments, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
70	Cebu Directorship, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
71	Luzon Directorship, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
72	Manarola Directorship, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
73	Sangat Investments, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
74	Dunadry Costanor, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
75	Limavady Costanor, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
76	Derrylin Costanor, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
77	Craigavon Costanor, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
78	Strabane Costanor, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
79	Colorado Directorship, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
80	Manati Directorship, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
81	Duncan Directorship, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
82	Moraine Directorship, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
83	Baracoa Directorship, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
84	Lora Directorship, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
85	Cienfuegos Directorship, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment

Annex II

Pro forma consolidated financial statements

In thousand of Euros	Promyva Inmuebles Group	Myvain Inmuebles Group	Nalentia Urbana Group	Invamy Urbana Group	Nirbe Inmuebles Group	Nirbe Meseta Group	Nirbe Costa Norte Group	SPVs	Posnova	Consolidation adjustments	Subtotal
Property, plant and equipment	18	18	10	3	81	40	120	1	5	-	296
Non-current investments	2.072	695	236	253	158	76	12	11	1.026	-	4.539
Inventories	57.006	56.890	15.002	40.385	92.144	96.318	165.636	40.035	12.275	-	575.691
Trade and other receivables	400	493	192	651	1.711	1.359	3.837	490	504	-	9.637
Current investments in associates	4.890	-	3.055	425	7	1	15	-	-	(8.370)	23
Current investments	29	-	256	2.754	2.821	4.951	15.265	2	-	-	26.078
Prepayments and accrued income	16	15	7	10	24	11	6	-	-	-	89
Cash and cash equivalents	29.957	3.562	613	4.871	11.269	4.820	4.109	12.221	195	-	71.617
Total assets	**94.388**	**61.673**	**19.371**	**49.352**	**108.215**	**107.576**	**189.000**	**52.760**	**14.005**	**(8.370)**	**687.970**
Equity	**36.939**	**18.447**	**12.260**	**28.612**	**94.793**	**98.789**	**137.528**	**(783)**	**(14)**	**-**	**426.571**
Non-current provisions	195	114	44	57	521	38	-	159	-	-	1.128
Non-current payables	-	-	-	-	-	-	-	54	-	-	54
Non-current related party payables	-	-	-	-	3	-	-	16	-	-	19
Current payables	24.445	14.376	979	7.552	7.028	4.834	23.032	27.358	3.970	-	113.574
Current related party payables	1	7.095	2.701	781	2	19	14.065	8.975	7.804	(8.370)	33.073
Trade and other payables	32.808	21.641	3.387	12.350	5.868	3.896	14.375	16.981	2.245	-	113.551
Total liabilities	**57.449**	**43.226**	**7.111**	**20.740**	**13.422**	**8.787**	**51.472**	**53.543**	**14.019**	**(8.370)**	**261.399**
Total equity and liabilities	**94.388**	**61.673**	**19.371**	**49.352**	**108.215**	**107.576**	**189.000**	**52.760**	**14.005**	**(8.370)**	**687.970**

Proforma consolidated income statement

In thousand of Euros	Promyva Inmuebles Group	Myvain Inmuebles Group	Nalentia Urbana Group	Invamy Urbana Group	Nirbe Inmuebles Group	Nirbe Meseta Group	Nirbe Costa Norte Group	SPVs	Posnova	**Total**
Net turnover	45.001	-	1.900	-	-	-	-	15.419	-	**62.320**
Other Income	41	7	100	7	33	1	-	7	-	**196**
Changes in inventories of finished and in-progress goods	2.410	15.345	886	3.529	2.729	371	272	3.350	1.165	**30.057**
Consumption of raw materials and other consumables	(38.801)	(15.345)	(2.270)	(3.529)	(2.729)	(371)	(272)	(17.268)	(1.165)	**(81.750)**
Other expenses	(2.105)	(1.729)	(797)	(1.126)	(2.106)	(161)	(798)	(1.153)	(13)	**(9.988)**
Depreciation of fixed assets	(2)	(6)	(1)	-	(18)	(5)	(14)	-	-	**(46)**
Impairment and income from disposal of non-current assets	-	-	-	-	-	-	-	-	(1)	**(1)**
Operating losses	**6.544**	**(1.728)**	**(182)**	**(1.119)**	**(2.091)**	**(165)**	**(812)**	**355**	**(14)**	**788**
Financial income	-	3	-	-	-	23	9	-	-	**35**
Financial expenses	(3)	(220)	(4)	(32)	(24)	(47)	(398)	(485)	-	**(1.213)**
Financial result	**(3)**	**(217)**	**(4)**	**(32)**	**(24)**	**(24)**	**(389)**	**(485)**	-	**(1.178)**
Profit before tax	**6.541**	**(1.945)**	**(186)**	**(1.151)**	**(2.115)**	**(189)**	**(1.201)**	**(130)**	**(14)**	**(390)**
Income taxes	(2.075)	-	(36)	-	-	-	-	(324)	-	**(2.435)**
Loss for the year	**4.466**	**(1.945)**	**(222)**	**(1.151)**	**(2.115)**	**(189)**	**(1.201)**	**(454)**	**(14)**	**(2.825)**

Annex III

The detail of bank borrowings (see Note 18.1.1) at 31 December 2019 and 2018 is as follows:

	Thousands of euros				
	Balances at 31 December 2019				
		Current Liabilities		Non-current	
	Límit	Long-term maturity	Short-term maturity	Liabilities	Total
Mortage loan on stock	9.314	-	4.290	-	4.290
Mortage loan on stock	50.269	-	9.396	-	9.396
Mortage loan on stock	39.340	-	16.372	-	16.372
Mortage loan on stock	7.500	-	4.060	-	4.060
Mortage loan on stock	55.600	-	21.730	-	21.730
Mortage loan on stock	13.930	-	596	-	596
Mortage loan on stock	23.130	-	9.184	-	9.184
Mortage loan on stock	8.149	-	4.083	-	4.083
Mortage loan on stock	36.236	-	16.265	-	16.265
Mortage loan on stock	6.550	-	2.023	-	2.023
Mortage loan on stock	11.499	-	531	-	531
Mortage loan on stock	14.448	-	2.332	-	2.332
Mortage loan on stock	26.725	-	11.829	-	11.829
Mortage loan on stock	5.648	-	80	-	80
Mortage loan on stock	19.358	-	6.965	-	6.965
Mortage loan on stock	6.048	-	3.569	-	3.569
Mortage loan on stock	9.930	-	7.247	-	7.247
Mortage loan on stock	5.783	-	(10)	-	(10)
Mortage loan on stock	6.100	-	73	-	73
Mortage loan on stock	19.884	-	6.157	-	6.157
Mortage loan on stock	11.606	-	1.246	-	1.246
Mortage loan on stock	6.163	-	2.158	-	2.158
Mortage loan on stock	7.473	-	2.279	-	2.279
Mortage loan on stock	14.517	-	4.592	-	4.592
Mortage loan on stock	15.925	-	12.033	-	12.033
Mortage loan on stock	15.500	-	119	-	119
Mortage loan on stock	21.760	635	-	-	635
Mortage loan on stock	8.770	-	69	-	69
Mortage loan on stock	12.864	-	774	-	774
Mortage loan on stock	16.761	-	3.475	-	3.475
Mortage loan on stock	30.430	7.997	-	-	7.997
Mortage loan on stock	18.446	-	2.635	-	2.635
Mortage loan on stock	4.950	524	-	-	524
Mortage loan on stock	11.405	1.137	-	-	1.137
Mortage loan on stock	25.020	714	-	-	714
Mortage loan on stock	7.334	1.243	-	-	1.243
Mortage loan on stock	33.082	3.108	-	-	3.108
Mortage loan on stock	22.000	-	4.426	-	4.426
Mortage loan on stock	7.571	-	1.455	-	1.455
Mortage loan on stock	50.560	-	16.442	-	16.442
Mortage loan on stock	23.000	2.725	-	-	2.725
Mortage loan on stock	10.287	1.499	-	-	1.499
Mortage loan on stock	9.270	149	-	-	149
Mortage loan on stock	31.462	(166)	-	-	(166)
Mortage loan on stock	7.600	(182)	-	-	(182)
Mortage loan on stock	9.345	(47)	-	-	(47)
Mortage loan on stock	6.000	-	3.007	-	3.007
Mortage loan on stock	19.043	1.076	-	-	1.076
Mortage loan on stock	16.320	1.303	-	-	1.303
Mortage loan on stock	6.932	156	-	-	156
Mortage loan on stock	27.000	(134)	-	-	(134)
Mortage loan on stock	27.845	(120)	-	-	(120)
Mortage loan on stock	15.808	(118)	-	-	(118)
Mortage loan on stock	10.100	-	-	-	-
Mortage loan on stock	158	-	158	-	158
Mortage loan on stock	739	-	739	-	739
Mortage loan on stock	4	-	4	-	4
Mortage loan on stock	260	-	260	-	260
Mortage loan on stock	193	-	193	-	193
Mortage loan on stock	4	-	4	-	4
Mortage loan on stock	-	-	-	-	-
Mortage loan on stock	-	-	-	-	-
Mortage loan on stock	224	-	224	-	224
Mortage loan on stock	-	-	-	-	-
Mortage loan on stock	-	-	-	-	-
Mortage loan on stock	146	-	146	-	146
Mortage loan on stock	557	-	-	-	-
Mortage loan on stock	-	-	-	-	-
Mortage loan on stock	-	-	-	-	-
Mortage loan on stock	6.564	-	10	-	10
Mortage loan on stock	-	-	-	-	-
Mortage loan on stock	6.310	-	96	-	96
Mortage loan on stock	13.071	-	118	-	118
Mortage loan on stock	6.773	-	36	-	36
Mortage loan on stock	36.519	-	404	-	404
Mortage loan on stock	13.561	-	1.039	-	1.039
Total Mortgage loans secured by property development in progress and by completed developments	**1.022.673**	**21.499**	**184.913**	**-**	**206.412**

Mortage loan on stock	11.251	-	10.500	-	10.500
Mortage loan on stock	8.613		8.467	-	8.467
Mortage loan on stock	7.113	7.085	-	-	7.085
Mortage loan on stock	2.605	-	2.605	-	2.605
Mortage loan on stock	6.800	6.758	-	-	6.758
Mortage loan on stock	720	718	-	-	718
Mortage loan on stock	1.300	1.296	-	-	1.296
Mortage loan on stock	300	300	-	-	300
Mortage loan on stock	1.700	1.694	-	-	1.694
Mortage loan on stock	840		837	-	837
Mortage loan on stock	2.925		2.913	-	2.913
Mortage loan on stock	368		362	-	362
Mortage loan on stock	4.703		4.703	-	4.703
Mortage loan on stock	1.959		1.959	-	1.959
Mortage loan on stock	1.927	1.927	-	-	1.927
Mortage loan on stock	2.115		2.087	-	2.087
Mortage loan on stock	653		651	-	651
Mortage loan on stock	968		922	-	922
Mortage loan on stock	1.643	1.643	-	-	1.643
Mortage loan on stock	600	588	-	-	588
Mortage loan on stock	630	-	615	-	615
Mortage loan on stock	2.810	2.760	-	-	2.760
Mortage loan on stock	-		-	-	-
Mortage loan on stock	1.200		1.180	-	1.180
Mortage loan on stock	1.575		1.575	-	1.575
Mortage loan on stock	1.016		999	-	999
Mortage loan on stock	575		565	-	565
Total Mortgage loans secured by land and plots	**66.909**	**24.769**	**40.940**	-	**65.709**
Credit lines	147.476	-	107.368	37.377	144.745
Accrued interest	-	3.501	1.109	-	4.610
Other loans	186.640		-	185.024	185.024
Total Other loans	**334.116**	**3.501**	**108.477**	**222.401**	**334.379**
Total	**1.423.698**	**49.769**	**334.330**	**222.401**	**606.500**

	Thousands of Euros				
	Balances at 31 December 2018				
	Limit	Current Liabilities		Non-current	Total
		Long-term maturity	Short-term maturity	Liabilities	
Mortage loan on stock	13.071	-	4.359	-	4.359
Mortage loan on stock	32.468	-	7.749	-	7.749
Mortage loan on stock	12.274	-	2.300	-	2.300
Mortage loan on stock	36.519	-	10.240	-	10.240
Mortage loan on stock	13.564	-	4.173	-	4.173
Mortage loan on stock	12.550	-	6.304	-	6.304
Mortage loan on stock	9.314	-	1.701	-	1.701
Mortage loan on stock	4.292	-	1.445	-	1.445
Mortage loan on stock	6.564	-	238	-	238
Mortage loan on stock	50.269	-	14.053	-	14.053
Mortage loan on stock	39.340	-	5.612	-	5.612
Mortage loan on stock	7.500	-	107	-	107
Mortage loan on stock	55.600	13.888	-	-	13.888
Mortage loan on stock	13.930	2.712	-	-	2.712
Mortage loan on stock	23.130	3.182	-	-	3.182
Mortage loan on stock	8.149	(238)	-	-	(238)
Mortage loan on stock	36.236	2.418	-	-	2.418
Mortage loan on stock	6.550	258	-	-	258
Mortage loan on stock	11.499	(57)	-	-	(57)
Mortage loan on stock	168	-	168	-	168
Mortage loan on stock	786	-	786	-	786
Mortage loan on stock	4	-	4	-	4
Mortage loan on stock	273	-	271	-	271
Mortage loan on stock	200	-	200	-	200
Mortage loan on stock	5	-	5	-	5
Mortage loan on stock	0	-	-	-	-
Mortage loan on stock	735	-	611	-	611
Mortage loan on stock	613	-	231	-	231
Total developer loan	**395.603**	**22.163**	**60.557**	-	**82.720**
Mortage loan on stock	2.000	0	2.000	-	2.000
Mortage loan on stock	20.334	19.924	-	-	19.924
Mortage loan on stock	12.612	12.384	0	-	12.384
Total loan for land purchase	**34.946**	**32.308**	**2.000**	-	**34.308**
Credit lines	123.428	-	114.093	-	114.093
Accrued interest	0	509	369	-	878
Other loans	6.960	5.499	151	1.309	6.959
Total Other loans	**130.388**	**6.008**	**114.613**	**1.309**	**121.930**
Total	**560.937**	**60.479**	**177.170**	**1.309**	**238.958**

This Annex forms an integral part of Note 18 to the consolidated annual accounts and should be read in conjunction with it.

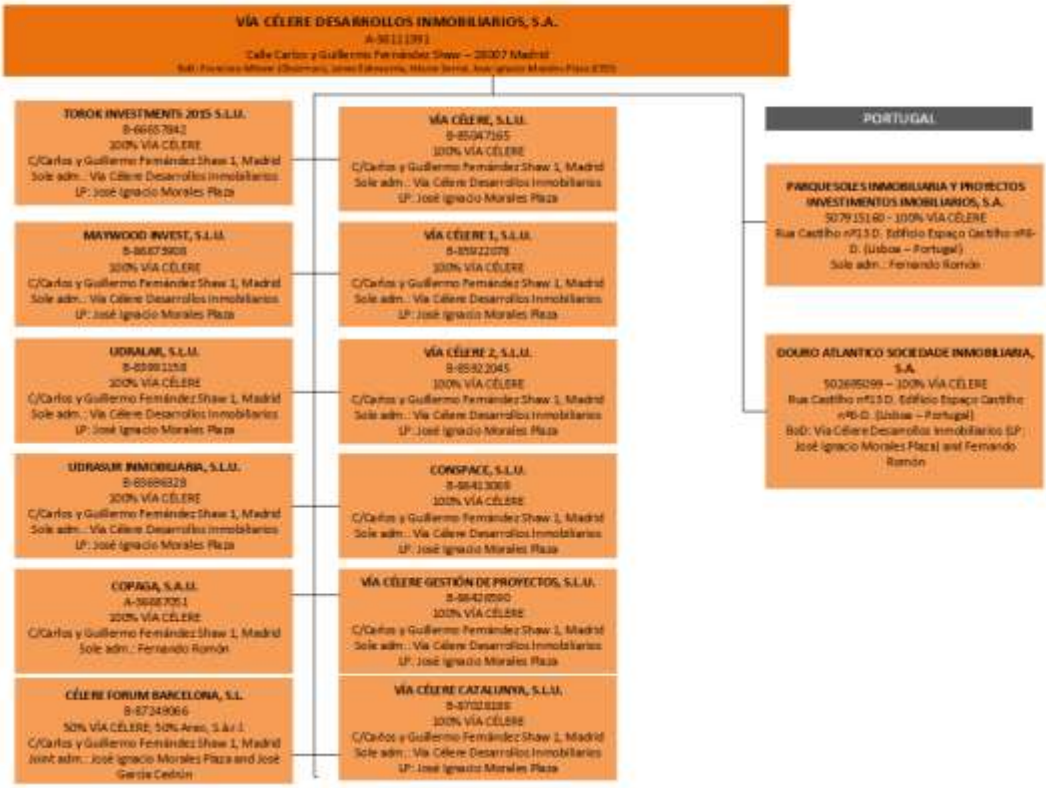
According to the figures at 31 December 2019, the debt with banks stood at 606,500 thousand euros

According to the figures at 31 December 2018, the debt with banks stood at 238,957 thousand euros

MANAGEMENT REPORT

1. Structure and background

The corporate structure of the Via Celere Group at 31 December 2019 is as follows:



The Parent Company, whose shareholders are listed below, is controlled by investment funds managed by Värde Partners:

	2019	
Sociedad	**Número de acciones**	**Porcentaje de participación**
Maplesville Invest, S.L.U	17,828,983	26.0%
Greencoat B.V.	5,513,934	8.0%
Trinity Investment Ltd.	5,112,989	7.5%
MELF B.V.	1,832,276	2.7%
Barclays Bank PLC	1,329,208	1.9%
Merrill Lynch International	2,229,368	3.3%
Deutsche Bank AkticngescMschafl	97,877	0.1%
JP Morgan Securities PLC	86,552	0.1%
Lew istow n Invest, S.L.U.	10,042,179	14.7%
Glenw ock Invest, S.L.U.	8,258,332	12.1%
Rimbey Spain, S.L.U.	6,024,597	8.8%
Windham Spain, S.L.U.	10,170,558	14.8%
	68,526,853	**100.0%**

The Group's main operational decision-making body is the Board of Directors of the Parent, which is made up of the following directors:

Name and surname(s)	Date of appointment	Position
Jose Ignacio Morales Plaza	17/07/2019	Managing Director
Héctor Serrat Sanz[1]	03/08/2015	Board Member
Francisco Milone[1]	31/07/2015 (Director) 17/07/2019 (Director)	Chairman
Jaime Echevarria Aguirre[2]	11/05/2018	Board Member
Gonzalo García-Fuertes Iglesias	13/02/2019	Secretary (non-board member)

In addition, the company has the following internal decision-making bodies or committees:

Executive Committee on Development

The Executive Development Committee is an internal body of the Parent Company's senior management, made up of senior executives of the Company, members of the Board of Directors and external personnel, and is subject to the supervision and control of the Board. Its composition and functions are set out in its operating regulations.

Name and surname(s)	Title	Position
Jose Ignacio Morales Plaza	Chairman	Managing Director
Teresa Marzo Peligero	Member	General Director of Business
Jaime Churruca Azqueta	Member	Chief Financial Officer
Héctor Serrat Sanz	Vice President	Board Member
Francisco Milone	Member	Chairman of the Board of Directors
Gustaf Breitholtz	Member	External
Aurora Mata Toboso	Secretary	Corporate Legal Director

Investment Committee

The Investment Committee is set up as an internal management body. The Investment Committee includes the following members:

Name and surname(s)	Title	Position
Jose Ignacio Morales Plaza	Chairman	Managing Director
Rosa María Peña Alonso	Member	Chief Operating Officer
Teresa Marzo Peligero	Member	General Director of Business
Jaime Churruca Azqueta	Member	Chief Financial Officer
Elena Gallo Campos	Member	Corporate General Director
Aurelio José Díez Ramos	Member	Director for Land
Gonzalo Díez de los Rios Riobó	Member	Investment Manager
Aurora Mata Toboso	Secretary	Corporate Legal Director

[1] Professional link with Värde Partners, Inc, an entity that manages the funds owned, directly or indirectly, by shareholders who, together, hold the majority of the Company's share capital.
[2] Professional link with Greencoat, B.V. and Melf, B.V., shareholders of the company.

Executive Committee

The Executive Committee is set up as an internal management body. The objective of the Executive Committee is to ensure, together with the Board of Directors and senior management, the viability and growth of the Group's businesses. The Investment Committee includes the following members:

Name and surname(s)	Title	Position
Jose Ignacio Morales Plaza	Chairman	Managing Director
Rosa María Peña Alonso	Member	Chief Operating Officer
Teresa Marzo Peligero	Member	General Director of Business
Jaime Churruca Azqueta	Member	Chief Financial Officer
Elena Gallo Campos	Member	Corporate General Director
João Miguel Ferreira Pinto	Member	Chief Strategy Officer
Aurora Mata Toboso	Secretary	Corporate Legal Director

2. Core business and ancillary activities

The Company has a diversified portfolio of real estate properties comprising land and developments in progress, property assets and non-performing loans with a fair value of 2,189,569 thousand euros, with a clear focus on property development for the sale of residential property.

The assets represent a total buildable area of 2,213,251 square metres distributed geographically as follows:

	Total m2	
City	2019	2018
Madrid	820.864	581.220
Malaga	406.311	140.671
Seville	332.078	187.699
Valencia	144.999	3.321
Barcelona	82.329	74.451
Valladolid	72.563	105.847
Others	354.106	274.818
	2.213.251	**1.368.026**

At 31 December 2019, the Group had 49 projects under construction. The total building area is 500,901 square metres for 4,117 homes, of which 51% are expected to be delivered in 2020, 47% in 2021 and 2% in 2022.

In 2019, the Group purchased 7 plots of land (one of which was a land purchase option) for a total of 50 million euros. The building area corresponding to these lands is 131,515 m², for an estimated volume of 1,208 homes. By region, land purchases are distributed as follows: 88% in Madrid and 12% in Malaga. In total, the buildability acquired in 2019 represents 6% of the total portfolio. All the purchases correspond to land on which residential developments are planned to be developed and which are the object of the Group's main activity.

In 2019, the Group sold 5 plots of non-strategic land for a total of 7,229 thousand euros.

3. Business results and financial situation, main figures and trends.

The Group recorded a net profit of 24,435 thousand euros in 2019. At the equity level, the Group has total assets of 1,713,797 thousand euros, equity of 772,246 thousand euros and current and non-current liabilities of 941,371 thousand euros.

Revenue and EBITDA

Revenues amounted to 362,703 thousand euros, of which 354,679 thousand euros were sales of property developments delivered during the year: 769 housing units in the Central zone, 293 housing units in the South zone, 26 housing units in the East and 10 housing units in the North; 7,216 thousand euros of land sales and 809 thousand euros of finished product stock (Legacy). The Group's EBITDA amounted to 33,731 thousand euros.

Adjusted EBITDA

The adjusted EBITDA for 2019 is 40,869 thousand euros. The main adjustments can be summarised as follows: elimination of the reversal of impairment amounting to 2,615 thousand euros and elimination of non-recurring expenses on the Group's main activity amounting to 5,399 thousand euros.

Ordinary EBITDA transactions in 2019 include 6,200 thousand euros relating to advisory services, legal, administrative and financial management, technical assistance and marketing services provided in the first three months of 2019 by Aelca Desarrollos Inmobiliarios in connection with the merger described in Note 1.

Net result

In the year ended 31 December 2019, the Group recorded a net profit of 22,345 thousand euros.

Adjusted net income

After eliminating impairment losses, sales of non-strategic inventories and the higher cost of products sold per PPP, the profit for the year amounted to 22,341 thousand euros.

Financial situation

Current and non-current liabilities at 31 December 2019 amounted to 941,371 thousand euros, up 535,567 thousand euros on 31 December 2018, mainly as a result of the liabilities included in the merger process amounting to 277,691 thousand euros and the new corporate financing signed in January 2019 amounting to 223,000 thousand euros.

Financial Debt: the balance of current and non-current financial debt at 31 December 2019 is as follows:

		Dispose short term			
Instrument	**Limit**	**Long cycle**	**Short cycle**	**Dispose long term**	**Total drawn down**
Mortgage loans secured by inventories (see Note 19.1.3)	1.089.582	46.268	225.853	-	**272.121**
Credit lines	147.476	-	107.368	37.377	**144.745**
Accrued interests (Note 19.1.3)	-	3.501	1.109	-	**4.610**
Other loans	186.640	-	-	185.024	**185.024**
Borrowing at 31/12/2018	**1.423.698**	**49.769**	**334.330**	**222.401**	**606.500**

4. Environmental Issues and Personnel

As detailed in Note 26 to the consolidated annual accounts, in view of the business activity carried on, the Group does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position and results of its operations. Additionally, the Group does not have any circumstances related to greenhouse gas emission rights.

At 31 December 2019, the average number of employees in Group companies was 461. The total number of resources at the end of 2019 was 482. The gender distribution of employees is:

	2019		2018	
	Women	Men	Women	Men
General Management	3	2	3	2
Directors and deparment heads	34	65	25	44
Technicians	64	61	41	59
Commercial staff	36	12	20	6
Staff	54	32	38	26
Other	3	116	3	99
	194	288	130	236

The average distribution of staff by category is as follows:

	2019
Dirección general del Grupo	5
Directores y Jefes de Departamento	98
Técnicos	119
Comerciales	42
Administrativos	80
Resto de personal	117
	461

5. Liquidity and capital resources

Note 20 to the consolidated annual accounts sets out the Group's capital management and liquidity risk policy. In addition, the Group has a sufficient level of cash to carry out its activities.

In 2019 the Group arranged a syndicated loan and a credit line amounting to 185,331 thousand euros and 37,668 thousand euros, respectively, to finance the acquisition of part of the development business of AELCA and twenty-seven development loans with a total capital of 449,615 thousand euros, of which 60,185 thousand euros were drawn down, to secure the financing of substantially all the developments that commenced construction in the year. The Group's current approach is to finance the construction of the developments through developer-type bank loans, linking the loan provisions to the degree of progress of the work. The company's policy regarding the financing of the plots: "Initially, the Company considers the use of its own resources to acquire new plots of land, although it does not rule out bank financing of no more than 50% of the purchase price, provided that the conditions of profitability, level of commercial risk and urban development status allow it."

6. Major risks and risk management

The risk management policies within the different areas in which the Group taking into account the macroeconomic environment and the situation of the financial markets, as well as the analysis of the management of the assets composing the Group. To this end, we have instruments that allow us to identify them sufficiently in advance or to avoid them, minimising risks.

The most significant financial risks may be:

Market risk

Exposure to interest rate risk

The Group has transactions with derivative financial instruments arranged in over-the-counter (OTC) markets with highly rated Spanish and international banks.

The Group maintains an interest rate cap (CAP). This instrument entitles its holder to receive a positive settlement if the 12M Euribor established at the beginning of the quarterly calculation period is above the related CAP rate. Settlement is quarterly, as the difference between the Euribor at 12M and the CAP rate on the nominal value of the transaction.

Most of the loans and credits held by the Group are indexed to Euribor. The Group has loans outstanding at the end of the year for an amount of 238,957 thousand euros, with a fixed interest rate from 1.50% to 4.00%.

Exposure to price risk

Property assets are subject to future changes in market price. Every year the Group commissions market valuations from reference firms in order to detect possible accounting impairments.

Credit risk

The Group does not have a significant credit risk with third parties arising from its own real estate business, since it collects substantially all of its sales at the time of formalisation, either through subrogation of the buyer in the part of the development loan that corresponds to him or by another method, at the buyer's choice. The credit risk arising from payment deferrals in transactions involving the sale of land or completed buildings is mitigated by obtaining guarantees from the buyer or establishing resolutory conditions that can be registered in the Public Registry in the event of non-payment that would result in the recovery of title to the asset sold and the collection of compensation.

Exposure to solvency risk

The Group regularly analyses the risk of insolvency of its accounts receivable by updating the related impairment provision. The Board of Directors considers that the amount of trade and other receivables approximates their fair value.

Liquidity risk

In general, the Group maintains its cash and cash equivalents at financial institutions with a high credit rating. At year-end, the Group had 176,124 thousand euros of cash available for operations, which is considered sufficient to cover cash requirements for the next 12 months.

7. Subsequent events

Coronavirus COVID-19

The outbreak of the coronavirus (COVID-19) in February and March 2020 has led to an unprecedented international health crisis, which is expected to impact the macroeconomic environment and business performance globally. To address this situation, among other measures, the Spanish Government has declared a state of alarm by publishing Royal Decree 463/2020 of 14 March, and has approved a series of urgent extraordinary measures to address the economic and social impact of COVID-19 by Royal Decree Law 8/2020 of 17 March.

As of the date of preparation of these annual accounts, the impact on our operations is limited to the temporary slowdown in our business activities and production rate of the works, and we believe that we will be able to recover some or all of this slowdown when we return to the normal level of activity. However, the scope and duration of the preventive measures decreed by the authorities, and therefore the effect they could have on our results and future activity, are difficult to estimate given the current situation of uncertainty. The most significant risk to our business would result from a potential deterioration in the macroeconomic context, as our business is strongly related to GDP, the unemployment rate and the purchasing power of families.

8. The Group's outlook for 2020

The Group plans to continue with the disposal of inventories of finished products and the cancellation of the associated financial debt. To achieve the objective, trade policies and agreements with local commercial agents will be carried out to maximize the return on investment. However, no significant margins are expected to be obtained.

By 2020, the Group aims to continue acquiring new land plots in accordance with its strategic growth objectives, both geographically and in terms of identifying new housing demand niches with strong growth prospects in the coming years.

For the deliveries of homes scheduled for 2020, the Group plans to continue with its customer service policy to ensure a unique delivery experience.

9. Innovation

The relevant activities carried out by the Group in 2019 in the area of research, development and innovation were as follows:

Industrialised façades

Continuing with the project of a new industrialised facade, it has gone from prescribing a system designed for transport, elevation, assembly and technical characteristics in its final location to including the variable of manufacturing in the design. To this end, the limitations of the specific machinery for this type of industry and materials have been taken into account, based on a study of said machinery and industry in advance; providing the set of manufacturing, construction, regulatory (CTE) and economic viability. After these adjustments, full-scale prototypes were made to verify their ease of manufacture, transport and assembly, and destructive and non-destructive regulatory tests were carried out to empirically verify the system's performance.

Feasibility of industrialised systems in multi-family buildings and their impact on design

A comparison has been made in two plots of land with similar characteristics in the same town (Boadilla del Monte, Madrid) where it has been attempted to make the same type of housing in both plots with different mix of product and buildability, proving that a rational design with small changes can make repetitive typologies in different geometries of plots. In both projects the construction company entered from the conceptual phase to carry out an optimised design taking into account the rules of the industrialised construction system chosen for each project: one of them is prescribed with a three-dimensional industrialised system with a metal structure and collaborating plate slabs and the second project is elaborated with a 2D prefabricated concrete structure with supporting concrete panels and hollow-core slabs. A comparison of systems, prices and deadlines is made.

Standardisation of technical and economic criteria in preliminary projects

Improvement of efficiency in the process of preparing a project by including standardised items in the initial phase of the project. These items have been studied according to their impact on the cost of construction of a work (nearly 80% of the cost). Specifically, standard options have been defined at the level of: structure; facades; interior quality memories; installations; etc. For each of these settings, the most relevant items have been analysed, providing them with real prices and their repercussions per m2, so that these elements can be traced at launch and throughout the life of the asset.

10. Own shares

The Group did not carry out transactions with its own shares during 2019 and did not hold any treasury shares at 31 December 2019.

11. Alternative performance measurements

As indicated in Note 1 to the consolidated financial statements, the Group prepares its annual accounts in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU). In addition, it presents some Alternative Performance Measures ("APMs") to provide additional information that favours the comparability and understanding of its financial information, and facilitates decision making and evaluation of the Group's performance.

The APMs must be considered by the user of the financial information as complementary to the aggregates presented in accordance with the basis of presentation of the consolidated annual accounts. The APMs have limitations in terms of analytical tools and should not be considered separately or as a substitute for analysis of our results under EU-IFRS.

<u>Comparative:</u> the Parent Company presents the figures of the previous year for comparison purposes. The observations are as follows:

1. The Parent incorporated the figures of the Aelca Group (see Note 1).

2. Revenue from sales of property developments in 2019 increased by 235,092 thousand euros with respect to 2018 due to the delivery of 1,098 units (340 units in 2018).

The main APMs related to the Company's performance and its reconciliation to the consolidated financial statements (in thousands of euros) are as follows:

11.1. Ordinary Income

<u>Definition:</u> sale of real estate developments + sale of land + disposal of non-strategic assets + services provided

<u>Explanation of usage:</u> The board considers revenue to be a measure of performance, as it includes information on how revenue is generated, both from sales of property developments and non-strategic assets and from services rendered.

The following table presents our estimates of revenues for the years ended 31 December 2019 and 31 December 2018.

	Thousand of Euros	
	2019	2018
Sale of property developments - Note 23.1	354.679	119.587
Sale of land - Note 23.1	7.216	21.893
Legacy Assets disposal - Note 23.1	809	15.568
Services rendered	10	15
Revenue	**362.714**	**157.063**

11.2. Valuation adjustments

Definition: impairment + reversal of impairment losses on inventories.

Explanation of use: the Parent's management considers that impairment losses are a measure of performance, since they provide information on the net impairment of inventory losses (impairment loss less reversal).

The following table presents our estimates of impairment losses for the year ended 31 December 2019.

	Thousand of Euros	
	2019	2018
Impairment – Note 15.6	(17.516)	(14.574)
Reversal of impairment losses of inventories – Note 15.6	36.037	86.368
Impairment losses	**18.521**	**71.798**

11.3. Gross margin

Definition: Revenue - changes in inventories of finished products and work in progress - raw materials and other consumables used

Explanation of use: the Parent's management body considers the gross margin to be a measure of performance, since it provides information on how our business is performing, starting with sales revenue and subtracting the costs incurred on those sales.

The following table presents our gross margin calculations for the years ended 31 December 2019 and 2018.

	Thousand of Euros	
	2019	2018
Sales - Note 23.1	**362.714**	**157.063**
Sale of property developments	354.679	119.587
Sale of land	7.216	21.893
Legacy Assets disposal	809	15.568
Others	10	15
Changes in inventory of finished goods and Work in Progress - Note 23.2	**150.835**	**42.244**
Cost of goods sold (units delivered)	*(276.558)*	*(154.452)*
Changes in inventory of land and developments in progress	*427.393*	*196.696*
Raw materials and other consumables used (excluding impairment losses on real estate inventories)	**(434.296)**	**(187.349)**
Purchase of land and developments in progress	(434.296)	(187.349)
Others cost of sale (non capitalized)	**(6.735)**	-
Gross Margin	**72.518**	**11.958**

11.4. Adjusted gross margin

Definition: gross margin - disposal of non-strategic assets + cost of products sold - non-strategic assets + reversal of higher cost of products sold per PPP (units delivered) + reversal of higher cost of land per PPP + reversal of impairment of finished products and work in progress) +/- expenses - non-recurring income.

Explanation of use: the Parent's governing body considers the adjusted gross margin to be a measure of the performance of its core business, since it provides information on the profits made on property developments. The adjusted gross margin does not include profits obtained on sales of land and non-strategic inventories, which the Company does not consider to be its main activity, the higher cost of products sold per PPP is considered to be a factor that distorts the accounting and the reversal of impairment of finished products and work in progress recorded before revenue is recognised. This performance measure is calculated and included to show the ability of senior management to increase property development margins.

The following table presents our adjusted gross margin calculations for the years ended 31 December 2019 and 2018.

	Thousand of Euros	
	2019	2018
Gross Margin	**72.518**	**11.958**
Legacy Assets disposals - Note 23.1	703	796
Reversal of higher cost of goods sold due to PPA (units delivered) - Note 23.2	(266)	13.638
One off expenses	2.210	-
Adjusted Gross Margin	**75.165**	**26.392**

11.5. Contribution margin

Definition: gross margin - internal commercial staff costs - internal construction staff costs - sales and marketing costs included in Other costs.

Explanation of use: the Parent's governing body considers that the contribution margin is a measure of the performance of its activity, since it provides information on the contribution margin of the property developments that have generated income during the period. The contribution margin is calculated on the basis of the gross margin, net of certain costs associated with the marketing and sale of the relevant property developments.

The following table presents our contribution margin calculations for the years ended 31 December 2019 and 2018.

	Thousand of Euros	
	2019	2018
Gross Margin	**72.518**	**11.958**
Internal commercial staff expenses - Note 23.4	(2.119)	(1.242)
Other expenses - Sales and marketing expenses - Note 23.6	(12.522)	(8.901)
Contribution Margin	**57.877**	**1.815**

11.6. Adjusted contribution margin

Definition: Adjusted gross margin - internal commercial staff costs - internal construction staff costs - sales and marketing costs included in Other costs +/- costs - non-recurrent income.

Explanation of use: the Parent's governing body considers the contribution margin to be a measure of the performance of its activity, since it provides information on the contribution margin of the property developments that have generated revenue during the period, excluding the sales and marketing expenses incurred. The adjusted contribution margin is calculated on the basis of the adjusted gross margin.

The following table presents our adjusted gross margin calculations for the years ended 31 December 2019 and 2018.

	Thousand of Euros	
	2019	2018
Adjusted Gross Margin	**75.165**	**26.392**
Internal commercial staff expenses - Note 23.4	(2.119)	(1.242)
Other expenses - Sales and marketing expenses - Note 23.6	(12.522)	(8.901)
One off expenses	1.707	-
Adjusted Contribution Margin	**62.231**	**16.249**

11.7. EBITDA

Definition: contribution margin + losses due to deterioration of real estate stocks + other income + services rendered - personnel expenses *(excluding expenses for internal commercial personnel and expenses for internal construction personnel)* - other operating expenses (*excluding sales and marketingexpenses*) - impairment losses and gains/(losses) on the disposal of fixed assets.

Explanation of use: the Parent's management considers EBITDA to be a measure of the performance of its activity, since it provides an analysis of the profit for the year (excluding interest, taxes and amortisation), as an approximation of the operating cash flows reflecting the generation of cash. In addition, EBITDA is a measure widely used by investors in the valuation of companies.

The following table presents our EBITDA calculations for the years ended 31 December 2019 and 2018.

	Thousand of Euros	
	2019	2018
Contribution Margin	**57.877**	**1.815**
Impairment losses on real estate inventories - Note 15	4.330	23.428
Other income	3.452	2.051
Personnel expenses (excluding internal commercial staff expenses) - Note 23.3	(16.714)	(9.181)
Other expenses (excluding sales and marketing expenses) - Note 23.6	(15.216)	(11.851)
EBITDA	**33.729**	**6.262**

11.8. Adjusted EBITDA

Definition: EBITDA - reversal of losses from impairment of property inventories - disposal of non-strategic assets + cost of products sold non-strategic assets + reversal of higher cost of products sold by PPP - reversal of impairment of finished products and work in progress +/- expenses - non-recurring income.

Explanation of use: the Parent's governing body considers that adjusted EBITDA is a measure of the Group's business performance, since it provides an analysis of operating results excluding inventory impairments that do not represent cash outflows and transactions not considered to be core business.

The following table presents our estimates of adjusted EBITDA for the years ended 31 December 2019 and 2018.

	Thousand of Euros	
	2019	2018
Adjusted Contribution Margin	**62.231**	**16.249**
Other income	3.452	2.051
Personnel expenses (excluding internal commercial staff expenses) - Note 23.3	(16.714)	(9.181)
Other expenses (excluding sales and marketing expenses) - Note 23.6	(15.216)	(11.851)
One off expenses	5.573	-
Impairment on inventories	4.330	-
Adjusted EBITDA	**43.656**	**(2.732)**

11.9. EBIT

Definition: EBITDA - depreciation and amortisation expense

Explanation of use: the Parent's governing body considers EBIT to be a measure of the performance of its activity, since it provides an analysis of the profit for the year (excluding interest and taxes), as an approximation of the operating cash flows that reflect the generation of cash. In addition, EBIT is a measure widely used by investors in the valuation of companies. Credit rating agencies and lenders use EBIT to assess debt against net debt and debt service.

The following table presents our EBIT calculations for the years ended 31 December 2019 and 2018.

	Thousand of Euros	
	2019	2018
EBITDA	**33.729**	**6.262**
Depreciation and amortization charge	(439)	(325)
EBIT	**33.290**	**5.937**

11.10. Adjusted EBIT

Definition: Adjusted EBITDA - depreciation and amortisation expense

Explanation of use: the Parent's governing body considers adjusted EBIT a measure of the performance of its activity, since it provides an analysis of the profit for the year (excluding interest, taxes and amortisation), as an approximation of the operating cash flows reflecting the generation of cash. In addition, adjusted EBIT is a measure widely used by investors in the valuation of companies. Credit rating agencies and lenders use adjusted EBIT to evaluate debt compared to net debt and debt service.

The following table presents our EBIT calculations for the years ended 31 December 2019 and 2018.

	Thousand of Euros	
	2019	2018
Adjusted EBITDA	**43.656**	**(2.732)**
Depreciation and amortization charge	(439)	(325)
Adjusted EBIT	**43.217**	**(3.057)**

11.11. Adjusted net income

Definition: Adjusted EBIT + financial income/(expense) + share of profit for the year from investments accounted for using the equity method - tax + (loss) / profit for the year from discontinued operations net of tax +/- expenses - non-recurring income.

Explanation of use: adjusted net profit is considered to be a measure of performance, since it provides useful information for analysing the profitability of companies in order to show the net profit of the Parent's main activity and to eliminate the effect of the variation associated with certain items.

The following table presents our estimates of adjusted net income for the years ended 31 December 2019 and 2018.

	Thousand of Euros	
	2019	2018
Adjusted EBIT	**43.217**	**(3.057)**
Net finance income/(cost)	(21.950)	18.666
Share of loss on investments accounted for using the Equity Method	6.940	(640)
Income tax	4.155	60.823
One off expenses	3.283	-
Adjusted Net Result	**35.645**	**75.792**

The most significant APMs referring to the company's financial debt situation are as follows:

A. Loans (Borrowings)

Definition: debts to credit institutions (classified into short-term and long-term creditors) - bank debts to related companies.

Explanation of use: the Parent's governing body considers that the loans (Borrowings) are a measure of the performance of its activity, since they show the net financial position of the company, which is necessary for the calculation of the leverage ratios normally used in the market.

The following table presents our loan calculations as of 31 December 2019 and 2018.

	Thousand of Euros	
	2019	2018
Non-current payables - Bank borrowings - Note 18	222.401	1.309
Current payables - Bank borrowings - Note 18	384.099	237.648
Borrowings	**606.500**	**238.957**

B. Net financial debt

Definition: loans + deferred payments for the acquisition of inventories (including deferred payments for the purchase of Via Celere) + other financial liabilities (classified under long-term and short-term liabilities) - cash or cash equivalents (less restricted cash) (Note 14.3).

Explanation of use: the Parent's management considers financial debt to be a financial measure of a company's net debt position. In addition, it is a measure widely used by investors in the valuation of the net leverage of companies. Credit rating agencies and lenders use net financial debt to assess net borrowing.

The following table presents our calculation of net financial debt to net financial debt at 31 December 2019 and 2018.

	Thousand of Euros	
	2019	2018
Borrowings	**606.500**	**238.957**
Non-current payables - Other financial liabilities - Note 18	10	188
Current payables - Other financial liabilities - Note 18	307	536
Cash and cash equivalents (less restricted cash) (Note 14.3)	(83.032)	(9.385)
Net Financial Debt	**523.785**	**230.294**

C. Adjusted net financial debt

Definition: net financial debt + loans from companies carried by the equity method + deferred payments for optional land - cash from companies carried by the equity method

Explanation of use: the Parent's management considers adjusted financial debt to be a financial measure of a company's net debt position. In addition, it is a measure widely used by investors in the valuation of the net leverage of companies. Credit rating agencies and lenders use net financial debt to assess net borrowing.

The following table presents our calculation of adjusted net financial debt as of 31 December 2019 and 2018.

	Thousand of Euros	
	2019	2018
Net Financial Debt	**523.785**	**230.294**
Borrowings of subsidiaries integrated through Equity Method - Note 19.1.1	2.235	18.450
Deferred payments for optioned land	62.000	39.159
Available cash of subsidiaries integrated through Equity Method - Note 15.3	(4.926)	(3.686)
Adjusted Net Financial Debt	**583.094**	**284.217**

D. Leverage

Definition: loans (borrowings) /total assets

Explanation of usage: Leverage is an indicator that measures a company's debt position. It is a measure widely used by investors in the valuation of the leverage of real estate companies. Credit rating agencies and lenders use net financial debt to assess indebtedness.

The following table presents our leverage calculations as of 31 December 2019 and 2018.

	Thousand of Euros	
	2019	2018
Borrowings	**606.500**	**238.957**
Total assets	1.713.797	861.527
Leverage ratio	**35%**	**28%**

E. Loan to Value ("LTV")

Definition: Adjusted net financial debt /value . . of the portfolio of inventories associated with the Company's percentage of ownership (GAV).

Explanation of use: LTV is an indicator that measures the company's debt position in relation to the market value of its property assets. It is a measure widely used by investors in the valuation of the leverage of real estate companies. Credit rating agencies and lenders use this figure to assess indebtedness.

The following table presents our LTV calculations as of 31 December 2019 and 2018.

	Thousand of Euros	
	2019	2018
Adjusted Net Financial Debt	**583.094**	**284.217**
Market value of inventory portfolio associated to the Company´s ownership interest percentage (GAV)	2.166.924	1.107.377
LTV	**27%**	**26%**

F. Loan to Cost ("LTC")

Definition: net financial debt / (stock - advances to suppliers)

The following table sets forth our estimates of LTC as of 31 December 2019 and 2018.

	Thousand of Euros	
	2019	**2018**
Net financial debt	**523.785**	**230.294**
Inventories – Note 15	1.416.688	675.624
Advance to suppliers – Note 15	(10.771)	(8.099)
LTC	**37%**	**34%**

VÍA CÉLERE DESARROLLOS INMOBILIARIOS, S.A. AND SUBSIDIARY COMPANIES

Signature sheet

Reunidos los Administradores de la sociedad Vía Célere Desarrollos Inmobiliarios, S.A., con fecha de 19 de marzo de 2020 y en cumplimiento de los requisitos establecidos en los artículos 253 del Texto Refundido de la Ley de Sociedades de Capital y del artículo 37 del Código de Comercio, proceden a formular las Cuentas Anuales Consolidadas y el Informe de Gestión Consolidado del ejercicio comprendido entre el 1 de enero de 2019 y el 31 de diciembre de 2019. Las cuentas anuales consolidadas vienen constituidas por los documentos anexos que preceden a este escrito.

D. Francisco Milone

The directors of the Company Via Célere Desarrollos Inmobiliarios S.A., on a meeting held on 19 March 2020 and complying with the requirements established in articles 253.2 of the Consolidated Text of the Spanish Companies Act and in article 37 of the Commerce Code, decide to drawn up the Consolidated Annual Accounts and the Management Report of financial year covered between 1 January 2019 and 31 December 2019. The consolidated annual accounts, are composed of the documents attached herein.

Mr. Francisco Milone

VÍA CÉLERE DESARROLLOS INMOBILIARIOS, S.A. AND SUBSIDIARY COMPANIES

Signature sheet

Reunidos los Administradores de la sociedad Vía Célere Desarrollos Inmobiliarios, S.A., con fecha de 19 de marzo de 2020 y en cumplimiento de los requisitos establecidos en los artículos 253 del Texto Refundido de la Ley de Sociedades de Capital y del artículo 37 del Código de Comercio, proceden a formular las Cuentas Anuales Consolidadas y el Informe de Gestión Consolidado del ejercicio comprendido entre el 1 de enero de 2019 y el 31 de diciembre de 2019. Las cuentas anuales consolidadas vienen constituidas por los documentos anexos que preceden a este escrito.

The directors of the Company Via Célere Desarrollos Inmobiliarios S.A., on a meeting held on 19 March 2020 and complying with the requirements established in articles 253.2 of the Consolidated Text of the Spanish Companies Act and in article 37 of the Commerce Code, decide to drawn up the Consolidated Annual Accounts and the Management Report of financial year covered between 1 January 2019 and 31 December 2019. The consolidated annual accounts, are composed of the documents attached herein.

D. Héctor Serrat Sanz

Mr. Héctor Serrat Sanz

VÍA CÉLERE DESARROLLOS INMOBILIARIOS, S.A. AND SUBSIDIARY COMPANIES

Signature sheet

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D. Jaime Echevarría

Mr. Jaime Echevarría

VÍA CÉLERE DESARROLLOS INMOBILIARIOS, S.A. AND SUBSIDIARY COMPANIES

Signature sheet

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D. Jose Ignacio Morales Plaza

Mr. Jose Ignacio Morales Plaza