BME - GROWTH
Palacio de la Bolsa
Plaza de la Lealtad, 1
28014 Madrid

Alicante, 29th April 2022

COMMUNICATION- FINANCIAL INFORMATION- FACEPHI BIOMETRIA, S.A.

Dear Sirs,

Under the provisions of article 17 of the Regulation (EU) No. 596/2014 on market abuse, and article 227 of the consolidated text of the Spanish Securities Market Law, approved by the Royal Legislative Decree 4/2015, of 23rd October, and related provisions, as well as in the Circular 3/2020 of BME Growth, we inform you about the following information related to the company FACEPHI BIOMETRIA, S.A. (hereinafter "FacePhi" or "the Company", interchangeably).

FINANCIAL INFORMATION FOR THE YEAR 2021

- Independent audit report corresponding to the individual and consolidated annual accounts of the Company for the year 2021.
- Individual and consolidated annual accounts of the Company for the year 2021 prepared together with the management report.
- Report on the organizational structure and internal control system of the Company for the compliance with the information obligations established by the Market.
- 2021 annual report

In compliance with Circular 3/2020 of the segment BME Growth of BME MTF Equity, it is expressly stated that the information hereby communicated has been produced under the sole responsibility of the company and its administrators.

We remain at your disposal for any clarification you might deem necessary.

Sincerely,

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Javier Mira Miró

Chairman of the Board of Directors

FACEPHI BIOMETRÍA, S.A.

In compliance with the provisions of the Corporate Enterprises Act and the Commercial Code, on 31 March 2022 the Board of Directors of the trading company FacePhi Biometría, S.A. drew up the consolidated annual financial statements for the year ended 31 December 2021, comprised of the balance sheet, the consolidated income statement, the consolidated statement of changes in net equity, the consolidated statement of cash flows and the consolidated report issued on 60 pages printed on both sides and numbered from 1 to 60, together with the consolidated management report for the same period drawn up on 10 pages numbered from 1 to 10.

The Board of Directors also empowers Juan Alfonso Ortiz Company as its Secretary to sign said documents on all their pages.

THE BOARD OF DIRECTORS

Javier Mira Miró
Chairman-Joint and Several Managing Director

Fernando Orteso de Travesedo
Vice-Chairman-

Juan Alfonso Ortiz Company
Board-Member Secretary

Pablo Reig Boronat
Independent Director

David J. Devesa Rodríguez
Vice-Board-Member Secretary

Alicante 31 March 2022

FACEPHI BIOMETRÍA, S.A.

Annual Financial Statements and Management Report for the financial year ended on 31 December 2021

Contents of the Annual Financial Statements

Management Report

Balance sheet
as at 31 December 2021

(In Euros)

ASSETS	NOTES TO THE REPORT	2021	2020
A) NON-CURRENT ASSETS		9,043,705	5,225,672
I. Intangible fixed assets	4	3,849,869	2,392,598
II. Tangible fixed assets	5	407,919	179,285
IV. Long-term investments in group and associated companies	8	2,454,627	2,050,617
V. Long-term financial investments	9	214,478	150,709
VI. Deferred tax assets	13.4	1,092,394	452,462
VII. Non-current trade debtors	9	1,024,419	0
B) CURRENT ASSETS		10,217,292	11,044,267
III. Trade debtors and other accounts receivable	9	8,317,893	4,379,948
1. Trade accounts, sales and provision of services		7,907,312	4,153,331
3. Other debtors		0	100,000
4. Personnel	14.g	0	100
6. Other credits with government agencies	13.1	410,581	126,518
IV. Short-term investments in group and associated companies	8	192,196	0
V. Short-term financial investments	9	42,895	513,377
VI. Short-term accruals		297,787	173,623
VII. Cash and cash equivalents	10	1,366,521	5,977,318
TOTAL ASSETS		19,260,997	16,269,938

NET EQUITY AND LIABILITIES	NOTES TO THE REPORT	2021	2020
A) NET EQUITY		9,410,230	7,100,462
A-1) Capital and reserves	11.1	9,344,233	6,984,168
I. Capital		605,373	577,141
II. Issue premium		10,074,525	7,222,153
III. Reserves		1,062,173	1,208,969
IV. (Parent Company's shares and holdings)		(556,510)	(341,760)
V. Profit (loss) from previous financial years		(1,682,335)	0
VII. Profit (loss) for the financial year		(158,993)	(1,682,335)
A-3) Grants, donations and bequests received	11.2	65,997	116,294
B) NON-CURRENT LIABILITIES		5,100,154	6,119,736
I. Long-term provisions		36,904	26,494
II. Long-term debts	12	5,041,251	6,054,477
2. Debts with credit institutions		5,041,251	6,054,477
IV. Deferred tax liabilities	13.4	21,999	38,765
C) CURRENT LIABILITIES		4,750,613	3,049,740
III. Short-term debts	12	1,397,718	986,547
2. Debts with credit institutions		1,185,686	984,949
5. Other financial liabilities	11.2	212,032	1,598
V. Trade creditors and other accounts payable	12	2,789,971	1,304,235
1. Suppliers		395,798	238,629
2. Suppliers, group and associated companies	16.b	381,235	278,537
3. Sundry creditors		1,320,780	599,447
4. Personnel (salaries pending payment)		512,213	53,712
6. Other debts with government agencies	13.1	179,944	133,910
VI. Short-term accruals	14.a	562,924	758,958
TOTAL NET EQUITY AND LIABILITIES		19,260,997	16,269,938

Notes 1 to 20 set forth in the attached Report form an integral part of the Balance Sheet as at 31 December 2021.

Income Statement for the year ended on 31 December 2021

(In euros)

	NOTES TO THE REPORT	(Debit) Credit 2021	2020
A) ONGOING OPERATIONS			
1. Net turnover	14.a	**12,680,565**	**7,198,754**
b) Provision of services		12,680,565	7,198,754
3. Work performed by the Group for its assets	4 and 14.c	**2,100,208**	**930,592**
4. Supplies	14.b	**(1,866,795)**	**(1,439,760)**
a) Consumables		0	(71,379)
c) Works performed by other companies		(1,866,795)	(1,368,381)
5. Other operating revenue		**34,213**	**10,004**
a) Non-core and other current operating revenue		7,204	10,004
b) Operating subsidies posted to outcome for the financial year	11.2	27,009	0
6. Personnel expenses	14.d	**(6,721,202)**	**(3,034,520)**
a) Wages, salaries and accessory exp.		(5,818,606)	(2,690,588)
b) Social Security		(900,515)	(343,932)
c) Provisions		(2,082)	0
7. Other operating expenses	14.f	**(5,604,412)**	**(3,384,269)**
a) External services		(5,527,958)	(2,996,613)
b) Taxes		(1,159)	(3,805)
c) Losses, impairment and variation of provisions for trade transactions	9	(75,294)	(383,851)
8. Amortisation of non-financial and other fixed assets	4 and 5	**(885,582)**	**(529,528)**
9. Allocation of subsidies for non-financial and other fixed assets	11.2	**67,063**	**67,063**
14. Other outcomes		**(14,792)**	**(11,417)**
A.1) OPERATING PROFIT (LOSS) (1+2+3+4+5+6+7+8+9+10+11+12+13)		**(210,733)**	**(193,081)**
14. Financial investments		**2,559**	**173,466**
15. Financial revenue		**(384,227)**	**(129,182)**
a) For debts with group and associated companies		0	(328)
b) For debts with third parties		(384,227)	(128,854)
16. Variation in the fair value of financial instruments	11.1.a	**(380,604)**	**(943,978)**
17. Exchange differences	14.g	**313,099**	**(454,077)**
18. Impairment and outcome of disposal of financial instruments		**201,434**	**(282,697)**
a) Impairment and losses	8.1	201,434	(282,697)
A.2) FINANCIAL OUTCOME (14+15+16+17+18+19)		**(247,740)**	**(1,636,468)**
A.3) PROFIT (LOSS) BEFORE TAXES (A.1 + A.2)		**(458,472)**	**(1.829,549)**
24. Corporation tax	13.3	**299,479**	**147,214**
A.4) PROFIT/LOSS FOR FIN. YR FROM ONGOING OPERATIONS (A.3 + 20)		**(158,993)**	**(1,682,335)**
A.5) PROFIT (LOSS) OF FIN. YR (A.4 + 21)		**(158,993)**	**(1,682,335)**

Notes 1 to 20 set forth in the attached Report form an integral part of the Income Statement as at 31 December 2021.

Statement of Changes in Net Equity
A) Statement of recognised income and expenditure for the year ended on 31 December 2021
(In Euros)

	Notes to the Report	2021	2020
A) PROFIT (LOSS) OF FIN. YR		(158,993)	(1,682,335)
Income and expenditure charged directly to net equity			
III. Grants, donations and bequests received	10.2	0	0
VII. Tax effect	12.4	0	0
B) TOTAL INCOME AND EXPENDITURE CHARGED DIRECTLY TO NET EQUITY		0	0
Transfer to the Income Statement			
X. Grants, donations and bequests received	10.2	(67,063)	(67,063)
XIII. Tax effect	12.4	16,766	16,766
C) TOTAL TRANSFERS TO THE INCOME STATEMENT		(50,298)	(50,298)
TOTAL INCOME AND EXPENDITURE RECOGNISED (A + B + C)		(209,291)	(1,732,632)

B) Statement of Changes in Net Equity for the financial year ended on 31 December 2021
(In Euros)

	Capital Authorised	Issue premium	Reserves	(Treasury stock)	Profit (loss) from previous financial years	Profit (loss) for the financial year	Subsidies, donations and bequests	TOTAL
A. FINAL BALANCE 2019 FINANCIAL YEAR	542,766	2,812,602	610,194	(240,354)	(798,042)	1,288,436	166,592	4,382,184
I. Restatement for changes of criteria 2019 and previous fin. yrs.								
II. Restatement due to errors in 2019 and previous fin. yrs.								
B) RESTATED BALANCE START OF 2020 FIN. YEAR	542,766.58	2,812,602	610,194	(240,354)	(798,042)	1,288,436	166,592	4,382,184
I. Total recognised income and expenditure						(1,682,335)	(50,298)	(1,732,632)
II. Transactions with partners or proprietors	34,375	4,409,551	108,380	(101,405)				4,450,901
1. Capital increases	34,375	3,465,607	(126,682)					3,373,300
3. Conversion of financial liabilities to net equity (derived from equity warrants - Note 11.1)		943,944						943,944
5. Transactions with treasury stock (net)			235,063	(101,405)				133,657
III. Other changes to net equity			490,394		798,042	(1,288,436)		
2. Other variations–Allocation of profit			490,394		798,042	(1,288,436)		
C. BALANCE AT END OF 2020 FINANCIAL YEAR	577,141	7,222,153	1,208,969	(341,760)		(1,682,335)	116,294	7,100,462
I. Restatement for changes of criteria 2020 fin. year								
II. Restatement due to errors in 2020 fin. year								
D. RESTATED BALANCE START OF 2021 FINANCIAL YEAR	577,141	7,222,153	1,208,969	(341,760)		(1,682,335)	116,294	7,100,462
I. Total recognised income and expenditure						(158,993)	(50,298)	(209,291)
II. Transactions with partners or proprietors	28,232	2,852,372	(146,795)	(214,750)				2,519,058
1. Capital increases	28,232	2,471,760	(73,125)					2,426,868
3. Conversion of financial liabilities to net equity (derived from equity warrants Note 11.1)		380,611						380,611
5. Transactions with treasury stock (net)			(73,670)	(214,750)				(288,421)
III. Other changes to net equity					(1,682,335)	1,682,335		
2. Other variations–Allocation of profit					(1,682,335)	1,682,335		
E) BALANCE AT END OF 2021 FIN. YEAR	606,373	10,074,526	1,062,173	(556,510)	(1,682,335)	(158,993)	65,996	9,410,230

Notes 1 to 20 set forth in the attached Report form an integral part of the Statement of Changes in Net Equity as at 31 December 2021.

Cash Flow Statement for the year ended on 31 December 2021

(In Euros)

	2021	2020
A) Operating cash flow		
1. Profit (loss) for the year before tax	-458,472	-1,829,549
2. Restatements of outcome:	1,506,810	2,166,173
a) Amortisation of fixed assets (+)	885,582	529,529
b) Value restatements for impairment (+/-)	-126,140	635,902
c) Variation in provisions (+/-)	10,410	20,819
d) Recognition of subsidies	-67,063	-67,063
g) Financial revenues (-)	-2,558	-173,466
h) Financial expenses (+)	384,227	129,182
i) Exchange differences (+/-)	41,743	147,327
j) Variation in the fair value of financial instruments (+/-)	380,611	943,944
3. Changes in working capital	-3,858,687	1,622,559
b) Debtors and other accounts receivable (+/-)	-5,015,140	3,262,957
c) Other current assets (+/-)	-124,164	-101,887
d) Creditors and other accounts payable (+/-)	1,476,651	-1,446,638
e) Other current liabilities (+/-)	-196,034	-91,874
4. Other operating cash flows	-389,448	-157,877
a) Interest paid (-)	-389,630	-119,746
c) Interest collected (+)	182	167,027
d) Payment (collection) of corporation tax (+/-)		-205,158
5. Operating cash flow (+/-1 +/-2 +/-3 +/-4)	-3,199,796	1,801,306
B) Investment cash flow		
6. Investment outlays (-)	-3,027,648	-2,976,089
a) In group and associated companies	-392,394	-1,317,559
b) Intangible fixed assets	-2,272,544	-1,288,582
c) Tangible fixed assets	-298,942	-163,283
e) Other financial assets	-63,768	-200,165
g) Other assets		-6,500
7. Collection for divestment (+)	469,956	
e) Other financial assets	469,956	
8. Investment cash flow (7-6)	-2,557,692	-2,976,089
C) Financing cash flow		
9. Collection and outlays for equity instruments	2,114,072	2,624,729
a) Issue of equity instruments	2,402,493	3,331,072
c) Acquisition of treasury stock	-585,934	-1,757,521
d) Disposal of treasury stock	297,513	1,051,178
10. Collection and payments for financial liability instruments	-808,685	3,954,800
a) Issue		
2. Debts with financial institutions (+)		7,046,810
b) Repayment and amortisation of		
2. Debts with credit institutions(-)	-807,086	-3,087,833
4. Others (-)	-1,598	-4,178
11. Outlays for dividends and remuneration of other equity instruments		
12. Financing cash flows (+/-9+/-10-11)	1,305,387	6,579,528
D) Effect of exchange rate variations	-158,695	185,890
E) Net increase/decrease in cash and cash equivalents (+/-A +/-B +/-C +/-D)	-4,610,796	5,590,636
Cash and cash equivalents at start of the year	5,977,318	386,682
Cash and cash equivalents at end of the year	1,366,521	5,977,318

Notes 1 to 20 set forth in the attached Report form an integral part of the Cash Flow Statement as at 31 December 2021.

1. Nature and main activities of the Company

a) Nature and main activities

FACEPHI BIOMETRIA S.A. was incorporated for an indefinite period on 26 September 2012 before the notary public Ignacio J. Torres López. Its registered address is Calle México 20, Alicante, Spain.

According to its Articles of Association, the Company's corporate purpose is research, development and marketing of all kinds of information technology material including the hardware, software and electrical appliances. Online sales by the Internet and/or similar distribution channels, import, export, representation, marketing, distribution, dealership, wholesale and retail sale, assembly, handling, manufacture and provision of related hardware, software services on physical support and through the sale of licenses for use, electronic products and components, electrical appliances and telecommunications. Performance of Internet-based activities and provision of information and training services. Promotion, construction, acquisition, transmission, dealership, leasing (except financial leasing), subleasing, installation or direct or indirect operation of consultancy services, urban land management, administration, custody and management of all kinds of real property, plots classified in any zoning category, buildings, single-family dwellings, apartments, condominiums, sports fields, residential buildings, premises and industrial or business facilities, hospitality establishments. All the above furnished or unfurnished, acting on its own behalf or that of third parties and with property of public and private ownership.

Currently, the company's main activity consists of marketing and implementation of biometric facial recognition software developed by the Company itself and classified in category 845 of the National Classification of Economic Activities (CNAE).

The company has been listed on BME Growth in the expanding enterprise segment since 1 July 2014 and on Euronext Growth in Paris since 25 February 2020.

Therefore, the Company is subject to the control and supervision regime provided for under Regulation (EU) 596/2014 on market abuse, the consolidated text of the Securities Market Act approved by Royal Legislative Decree 4/2015 of 23 October and concordant provisions and by the Circulars issued by BME Growth.

b) Composition of the Group

In accordance with la information provided in Note 8, the Company is the parent company the Facephi Group (hereinafter the Group). In compliance with Royal Decree 1159/2010 of 17 September that adopted the rules for drafting of consolidated annual financial statements, on 31 March 2022 the Company's governing body drew up the Group's consolidated annual financial statements for the year ended 31 December 2021 which will be deposited in the Companies' Registry of Alicante following approval by the Annual General Meeting. Said financial statements reported a consolidated negative outcome of 554 thousand euros imputable to the Parent Company and a consolidated shareholders' equity of 8,707 thousand euros attributed to the same.

Notwithstanding, notes 8 and 16.b of this report provide all the information regarding the balance sheet and the balances and transactions carried out during the financial year with the Group's subsidiaries and other related parties.

2. Reporting criteria

a) Regulatory framework for financial reporting applicable to the Company

These annual financial statements have been drawn up by the Board of Directors in accordance with the regulatory framework for financial reporting applicable to the Company laid down in the following jurisprudence:

- The Spanish Commercial Code and other commercial legislation.
- The consolidated text of the Corporate Enterprises Act.
- Royal Decree 1514/2007 of 16 November and its subsequent amendments that adopts the General Accounting Plan and its subsequent amendments contained in Royal Decrees 1159/2010 of 17 September, 602/2016 of 17 December and 1/2021 of 12 January.
- The mandatory standards adopted by the Accounting and Auditing Institute for implementation of the General Accounting Plan and its complementary rules.
- The rest of the applicable Spanish accounting regulations.

b) True and fair view

These annual financial statements have been drawn up on the basis of the Company's accounting records in accordance with the regulatory financial reporting framework set forth above and in particular with the accounting principles and criteria contained in the same in such a way that they provide a true image of the Company's equity, financial position and accounting outcomes of its transactions and cash flows for the 2021 financial year. The statement of cash flows has been drawn up in order to accurately report on the origin and use of the Company's monetary assets in the form of cash and cash equivalents.

The annual financial statements are presented in euros – the Company's functional and reporting currency – rounded to the nearest unit.

There are no exceptional reasons why accounting-related legal provisions have not been applied to show the true and fair view.

These annual financial statements, drawn up by the Company's Board of Directors, will be submitted to the Annual General Meeting for approval and are expected to be approved without reservations or amendments. The annual financial statements for financial 2020 were approved by the General Meeting held on 28 June 2021.

c) Non-mandatory accounting principles

No non-mandatory accounting principles have been applied. The Board of Directors has also drawn up these annual financial statements taking all the mandatory accounting principles and standards that could have a significant effect on said financial statements into account. No mandatory accounting criterion has been ignored.

d) Critical aspects of assessing and estimating uncertainty

The Company's directors are responsible for the information set forth in these annual financial statements.

The Company's directors and senior managers are required to make certain estimates and assumptions that affect application of the regulations and valuation of assets, liabilities, revenues, expenses and commitments when drawing up the annual financial statements. These estimates and assumptions are based on historical experience and other factors considered reasonable under the current circumstances. The following is a breakdown of the aspects that have entailed a greater degree of judgement and complexity or those for which the hypothetical assumptions and estimation have been most significant during drafting of the annual financial statements:

- Provisions for impairment of investments in Group and associated companies. The accounting treatment given to investments in Group and associated companies involves making estimates at the end of each financial year to determine whether the value of said investments has suffered impairment and, as required, to enter a restatement against the income statement and earnings for the period or, as the case may be, to reverse a previously-recognised provision. Determining the need to recognise an impairment loss or, as required, reversal of the same involves making estimates that include, among others, analysis of the causes of any value impairment or recovery, the moment said movements were incurred and the expected amount of the same.

  For financial investments in Group and associated companies, the recoverable value is calculated in accordance with the provisions of Note 3.5.

  The uncertainties inherent in the estimates required to determine the amount of the recoverable value and the assumptions regarding future variations in investments entail a significant degree of judgment insofar as the timing and nature of future business changes are difficult to foresee.

- Impairment of non-current assets other than financial assets requires making estimations to determine their recoverable value in order to assess potential impairment. To determine this recoverable value, the Company's directors estimate the expected future cash flows of the assets or the cash-generating units of which they are part and use an appropriate discount rate to calculate the present value of said cash flows. The cash flows depend upon fulfilment of the projections included in the Company's business plan for the next five years while the discount rates depend on the interest rate and the risk premium (see Note 3.3).

- Deferred tax assets are recognised for all deductible temporary differences, negative tax bases pending compensation and rebates pending application for which it is probable that the Company will have future taxable profits that enable application of these assets. The Company's directors must make significant estimates to determine the amount of deferred tax assets that can be recognised taking the amounts and dates on which future taxable profits will be obtained and the reversal period of taxable temporary differences into account. As at 31 December 2021 the Company has recognised deferred tax assets for a total of 1,092,394 euros (452,462 euros at 31 December 2020) on account of temporary differences, taxable income pending compensation and rebates pending application (see Note 13).

These estimates are made on the basis of the best information available on the events under analysis on the drafting date of the annual financial statements. Nevertheless, it is possible that future events may make it necessary to change them (upwards or downwards) in coming financial years. Said changes, if any, will always be made in a prospective manner in accordance with the provisions of Rule 22 of the General Accounting Plan, recognising the effects of any changes in the estimates in the associated income statement.

e) The Company as a going concern

During the 2021 and 2020 financial years the Company suffered significant losses before taxes of 0.5 million and 1.8 million euros, respectively. These losses were mainly due to the following circumstances:

- the 120% increase in the workforce payroll due to recruitment of more than one hundred qualified specialists in software development on which much of the Company's expansion plan depends (Note 14.e)

- the financial risks deriving from issuance of own equity instruments to address its financing requirements (see Note 11.1) and

- the extraordinary cost incurred during the last financial year due to the voluntary resignation one of the Company's executive directors that involved a considerable financial compensation in exchange for a restrictive non-competition agreement for a period of three years (see Note 15.a).

In contrast, consolidated EBITDA stood at 750 thousand euros as at 31 December 2021 (858 thousand euros in financial 2020).

Consolidated net equity amounted to 9.4 euros as at 31 December 2021, an increase of 2.3 million mainly derived from the capital increase transactions conducted during the 2021 financial year (see Note 11.1).

Under these circumstances the Company's Board of Directors estimates that the cash flows generated by the business and the available financing lines will enable it to address its current liabilities and the Group's expansion plans and therefore these annual financial statements have been drawn up on the basis of the going concern principle.

f) Comparison of the information

In compliance with Spanish commercial law, in addition to the figures for the 2021 financial year, for comparative purposes those for the previous year's balance sheet, income statement, statement of changes in net equity and statement of cash flows for the previous financial year are presented.

The Management Report also contains comparative information from the previous year except when the accounting rules expressly state that it is not required.

g) Changes in accounting criteria and correction of errors

The Company has not made any restatement for changes of accounting criteria during the financial year ended 31 December 2021 and nor has it been necessary to rectify any error from said financial year or from previous periods.

h) Changes due to harmonisation of the General Accounting Plan with the provisions of Royal Decree 1/2021 of 12 January that entered force on 1 January 2021

Royal Decree 1/2021 of 12 January introduced the following changes in the General Accounting Plan:

- Amendment of the conceptual framework of the concept and definition of: *fair value*.
- Amendment of Rule 9 on recognition and valuation of: *financial instruments*.
- Amendment of Rule 10 on recognition and valuation of: *inventory*.
- Amendment of Rule 11 on recognition and valuation of: *foreign currency*.
- Amendment of Rule 14 on recognition and valuation of: *revenue from sales and provision of services*.

The Company has adopted the aforesaid amendments although their impact on these annual financial statements has been negligible.

New criteria for valuing and classifying financial instruments have been defined in accordance with the amendment to Rule 9 on financial instruments. All assets previously classified as loans and other accounts receivable must now be entered as financial assets at amortised cost since they represent cash flows originating entirely in collection of principal and interest. All liabilities previously classified as debts and other accounts payable must now be entered as financial liabilities at amortised cost since they represent cash flows originating entirely in payment of principal and interest.

No changes in addition to those already mentioned have been detected after analysis of the new classification of financial assets and liabilities. The associated breakdowns are provided in notes 9 and 12, respectively.

With respect to the amendment to Rule 14 on recognition of revenue, the Company enters trade revenues as they are used to cancel customers' obligations, recognising the revenue from assignment of the Company's technology under licensing agreements, either for supplying said technology or for provision of other services. Consequently, implementation of the five steps based on the transfer of control of the goods or services committed to the customer has not had a significant impact on the Company's accounting. Further details are provided in Note 14.

3. Valuation rules

The annual financial statements have been drawn up in accordance with the valuation and classification principles and rules set forth in the currently applicable General Accounting Plan.

The following are the most significant accounting principles and rules applied when drawing up these annual financial statements.

3.1 Intangible fixed assets

Assets entered under the head of intangible fixed assets are recognised at their acquisition price or production cost. Intangible fixed assets are reported in the annual financial statements at cost minus depreciation and, as appropriate, minus any accumulated value restatements due to impairment.

Intangible fixed assets are assets with a defined useful life and therefore must be written off over their useful economic life, defined as the time during which it is reasonably expected that the economic benefits inherent to the asset will produce returns for the company.

These assets are written off over a period of ten years when their useful life cannot be reliably estimated.

At all events, intangible assets must be analysed at least once a year to detect any signs of value impairment and quantify the same as required.

a) Computer application development expenses

The *development expenses* of the information technology applications that are subsequently marketed are capitalised the moment all the following conditions are met:

- Existence of a specific, individualised project that enables reliable assessment of the disbursement attributable to completion of the same.
- The allocation, attribution and distribution over time of the costs of each project are clearly established.
- There are well-founded reasons for a technically successful conclusion to the project at all times, both if the project is aimed at direct operation by the Company or at selling the resulting product to a third party if there is a market for the same once the project is concluded.
- The financial-commercial profitability of the project is reasonably assured.
- In addition to ensuring the availability of adequate technical or other resources to complete the project and to use or sell the intangible asset, financing to ensure completion of the projects is reasonably assured.
- There is an intention to finish the intangible asset in question to use or sell it.

Fulfilment of all the above conditions is verified over the entire period during which the project is developed. The amount capitalised is that applicable the moment all the aforesaid conditions are fulfilled.

Under no circumstance shall disbursements initially recognised as expenses of the financial year in which they occur and which subsequently fulfil the above conditions be capitalised.

The expenses of own personnel and the costs of the services acquired from third parties that have participated in the development of the applications and computer software are included as increased costs of the same, with payment under the head of "Work carried out by the Company for its fixed assets" in the Income Statement.

Other development expenses are recognised as expenses when they are incurred. Development costs previously recognised as expenses are not restated as assets in subsequent years. In accordance with the conditions indicated above in this section, capitalised development costs are amortised on a straight-line basis during their estimated useful life – which shall not exceed five (5) years – for each project.

If the favourable expectations that made it possible to capitalise the development costs of a project change for the worse, the part pending amortisation is charged to outcome for the financial year in which said changes take place.

Estimates of impairment of intangible assets are based on calculation of the future cash flows derived from fulfilment of the business plan drawn up by Company management and updated at a market discount rate. Said plan supports the commercial success of capitalised development spending and the expectation that it will be recovered.

As at 31 December 2021 the Company estimates that there is no indication of impairment of intangible assets since the directors are reasonably sure that the business plan will be fulfilled, which means that on the basis of their forecasts, all the intangible assets and tax credits will be fully recovered in the coming years.

b) Computer applications

Computer program licenses acquired from third parties are capitalised on the basis of the costs incurred for acquisition of the programs and for configuring them for use in specific applications. These costs are written off over their estimated useful lives on a straight-line basis over a period of six (6) years.

Expenses related to maintenance of computer programs are recognised as expenses when they are incurred. Costs directly related to the production of unique and identifiable computer programs controlled by the Company and which are likely to generate monetary benefits in excess of costs for more than one year are recognised as intangible assets. Direct costs include the personnel costs of the software development and an appropriate percentage of overheads.

Computer program development costs recognised as assets are written off over their estimated useful lives (not exceeding five (5) years).

c) Intellectual property

Intellectual property shall be valued at the cost incurred for acquisition of the same or the right to use or to assign the use of the various versions of the program provided that, due to the contractual monetary conditions, said assets must be posted to the inventory of the acquiring company. Intellectual property includes but is not limited to: patents for inventions, utility model protection certificates, industrial design and patents of importation.

Intellectual property rights are valued at the acquisition price or production cost. The book value of development expenses capitalised at the time the associated patent or similar right is obtained, including the cost of registration and formalisation of the intellectual property, are recognised as such provided that the legal conditions required for registration in the appropriate registry are met and without prejudice to the amounts that could also be recognised for acquisition of the associated rights from third parties. Research expenses will continue to be written off at the same rate and under no circumstances will they be posted to the book value of the intellectual property. The useful life is estimated at between 10 and 20 years.

(In Euros)

3.2 Tangible fixed assets

Property, plant and equipment are recognised at acquisition price or production cost minus accumulated depreciation and the accumulated cost of recognised losses.

Costs of extension, modernisation or improvement of property, plant and equipment are posted to Assets as increased value of the property only when they entail an increase in its capacity, productivity or extension of its useful life and provided that it is possible to know or estimate the book value of items removed from the inventory due to having been replaced.

Major repair costs are capitalised and written off over their estimated useful life. Recurring maintenance expenses are charged to the income statement for the year in which they are incurred.

With the exception of land, which is not depreciated, depreciation of property, plant and equipment is calculated on a straight-line basis depending on the nature of the asset and taking the wear and tear actually suffered due to its operation, use and enjoyment into account.

The following are the estimated useful lives:

Item	Annual percentage	Years of useful life	Method
Other facilities	10%	10	Straight-line
Furnishings	5%-10%	10-20	Straight-line
Computer hardware	25%	4	Straight-line
Other tangible fixed assets	10%-20%	5-10	Straight-line

The residual value and useful life of assets are reviewed and restated if necessary on the date of each balance sheet.

The value of an asset is immediately reduced to its recoverable amount whenever its book value is higher than its estimated recoverable amount (Note 3.3).

Gains and losses from the sale of property, plant and equipment are calculated by comparing the income obtained from the sale with the book value and are recognised in the income statement.

3.3 Impairment of non-financial assets

The directors assess whether there are indications of impairment of non-current assets at least at the close of each financial year. If so, their recoverable values are estimated.

The recoverable amount is the fair value minus the cost of sale or the value in use, whichever is higher. A loss by impairment is recognised if the book value is higher than the recoverable amount. Value in use is the net present value of expected future cash flows using risk-free market interest rates adjusted for the specific risks associated with the asset. The recoverable value of assets that do not generate cash flows largely independent of those derived from other assets or groups of assets is determined by the cash-generating units to which said assets belong.

Valuation restatements for impairment and their reversal are recognised in the income statement. Except for those associated with goodwill, valuation restatements for impairment are reverted when the circumstances that gave rise to them cease to exist. Reversion of impairment is limited to the book value of the asset that would be applicable if the associated impairment had not been previously recognised.

The Company and its group have updated their five-year business plan on the basis of which a new impairment test for non-financial assets will be conducted.

3.4 Leases

When the Company is the lessee – Operating leases

Leases in which the lessor retains a significant proportion of the risks and benefits derived from ownership are classified as operating leases. Operating lease payments (net of any incentives received from the lessor) are charged to the income statement for the year in which they accrue on a straight-line basis over the lease period.

3.5 Financial assets

Classification of financial instruments

Financial instruments are classified at the time of initial recognition as financial assets, financial liabilities or equity instruments depending on the definition of their financial nature in the contractual agreement and on the definitions of financial asset, financial liability or equity instrument.

The Company classifies financial instruments into one category or another depending on their characteristics and the Board of Directors' investment strategy at the time of initial recognition.

Compensation criteria

Financial assets and liabilities are subject to compensation only when the creditor has an enforceable right to compensate the amounts recognised and intends to settle the net amount or to simultaneously liquidate the asset and cancel the liability.

Assets at amortised cost

If the company holds an investment solely for the purpose of receiving cash flows arising from execution of the contract and the contractual conditions of the financial asset entail cash flows that are exclusively payments of capital and interest on the outstanding principal on specific dates, the financial asset shall be recognised in said category even when it is listed for trading on an organised market.

As a general rule. this category includes debits for both trade and non-trade transactions:

a. Credits for trade transactions: these are financial assets that originate in the disposal of goods and provision of services for the company's trade transactions with deferred payment, and

b. Credits for non-trade transactions: these are financial assets which – not being equity instruments or derivatives, do not originate in trade transactions and the collection of which is a specific or specifiable amount – arise from transactions involving loans or credits granted by the company.

Initial valuation

Financial assets classified in this category are initially recognised at fair value which, unless there is evidence to the contrary, will be the transaction price which in turn is equal to the fair value of the consideration plus any transaction costs directly imputable to the asset in question.

Notwithstanding the above, debits for trade transactions with maturity at no more than one year that do not have a contractual interest rate are valued, both initially and subsequently, at their face value when the effect of not updating the cash flows is not significant.

Subsequent valuation

Financial assets recognised in this category are valued at their amortised cost. Accrued interest is charged to the income statement on the basis of the effective interest rate method.

Nevertheless, credits with a maturity of no more than one year which – in accordance with the provisions of the above section are initially recognised at face value – will continue to be valued at said amount unless they have been impaired.

The company will consider whether an impairment loss should be recognised if the contractual cash flows of a financial asset change due to the issuer's financial difficulties.

Value impairment

The required valuation restatements must be made at least at the end of each financial year if there is objective evidence that the value of a financial asset or a group of financial assets with similar collectively-assessed risk characteristics has suffered impairment as a result of one or more events having occurred after their initial recognition and which cause a reduction or delay – that may be due to the debtor's insolvency – in the estimated future cash flows.

Losses due to value impairment of these financial assets shall be the difference between their book value and the net present value of their estimated future cash flows, including any flows originating in the estimated outcome of execution of real or personal guaranties, discounted at the effective interest rate at the time of initial recognition of the asset. The effective interest rate on the closing date of the annual financial statements shall be used for financial assets with variable interest rates in accordance with the contractual conditions. Models based on statistical formulas or methods may be used to calculate impairment losses on a group of financial assets.

Impairment losses and reversals shall be recognised as expenses or revenue respectively in the income statement if the amount of such losses decreases for reasons related to a subsequent event. The reversal of impairment is recognised as income and is limited to the book value of the financial asset that would be recognised on the reversal date if the impairment had not been posted.

Notwithstanding the above, provided enables a sufficiently reliable estimate of the recoverable amount, the Company may take the market value of instruments traded on an open market as a substitute for calculation of the present value of future cash flows.

Recognition of interest on financial assets with credit impairment will follow the general rules, without prejudice to the fact that at the same time the company must assess whether said amount will be recovered and, if necessary, account for the associated impairment loss.

Financial assets at cost

The following securities shall be included in this category:

a) Investments in the equity of group, multi-group and associated companies as defined in rule 13 on drafting annual financial statements in the Spanish General Accounting Plan.

b) All other investments in equity instruments the fair value of which cannot be determined by reference to a quoted price on an active market for an identical instrument or cannot be estimated reliably and all derivatives for which said instruments are the underlying security.

c) Hybrid financial assets the fair value of which cannot be reliably estimated unless the requirements for their recognition at amortised cost are met.

d) Contributions made as a consequence of an equity account or similar contract.

e) Equity loans the interest of which is contingent in nature, either because a fixed or variable interest rate is conditional upon the borrowing company achieving a milestone (for example, making a profit) or because said interest is calculated exclusively by reference to variations in the activity of the company in question.

f) All other financial assets that would initially be classified in the fair value portfolio with changes in the income statement when a reliable estimate of their fair value cannot be obtained.

Initial valuation

Investments in this category will be initially valued at cost, which will be equivalent to the fair value of the consideration paid plus the transaction costs directly attributable to them. In the case of transactions between Group companies, the applicable criteria set forth in section 2 of Recognition and Valuation rule 19 and the criteria for determining the cost of the combination set forth in the Business Combination rule of the General Accounting Plan must be applied.

Nevertheless, in the event of an investment made prior to classification of the entity as a group, multi-group or associate company, the cost of said investment will be considered to be its book value immediately before the company became a member of the group.

The value of the any preferential subscription rights and any similar items acquired will form part of the initial valuation.

Subsequent valuation

Financial assets recognised in this category are valued at cost minus the accumulated amount of value restatements due to impairment, if any.

If a value is to be assigned to these assets due to deregistration from the balance sheet or any other reason, the weighted average cost method by homogeneous groups – understood as securities with equal rights – shall be applied.

The cost of preferential subscription and other similar rights will decrease the book value of the respective assets in the event of sale or separation of the same in order to exercise them. Said cost shall be determined by applying a generally-accepted valuation formula.

Payments made as a result of a joint venture or similar agreement will be valued at cost, increased or decreased by any profit or loss attributable to the company as a non-managing partner and minus any accumulated impairment valuations as required.

The same criteria shall be applied to equity loans the interest of which is contingent in nature, either because a fixed or variable interest rate conditional upon the borrowing company achieving a milestone (for example, making a profit) is agreed or because said interest is calculated exclusively by reference to variations in the activity of the company in question. If, in addition to contingent interest, an irrevocable fixed interest rate is agreed, the latter shall be entered as financial income as it accrues. The transaction costs shall be attributed to the income statement on a straight-line basis throughout the life of the equity loan.

Value impairment

The required valuation restatements must be made at least at the end of each financial year if these is objective evidence that the book value of an investment will not be recovered.

The amount of the valuation restatement will be the difference between its carrying value and the recoverable amount understood as the fair value minus cost of sale or the present value of the future cash flows from the investment, whichever is greater. In the case of equity instruments, the amount of the restatement shall be calculated either by estimating the expected cash flows as a result of allocation of dividends by the investee and disposal or write-off of the investment in the same or by estimating the company's share of the cash flows expected to be generated by the investee from both its ordinary activities and from disposal or write-off of the same.

In the absence of better evidence of the recoverable amount of investments in equity instruments, the impairment loss estimate for this class of assets will be calculated on the basis of the equity of the investee and the tacit capital gains existing at the valuation date net of tax effect. Provided that the investee has invested in another company in turn, this value shall be calculated by taking the equity set forth in the consolidated financial statements into account and applying the criteria of the Commercial Code and its development rules.

If the investee is domiciled outside Spanish territory, the equity to be taken into account will be annotated according to the rules contained in this provision. However, if high inflation rates are involved the values to be considered will be those resulting from the adjusted financial statements as set forth in the foreign currency rule.

As a general rule, the indirect equity-based estimation method may be used in cases where it can be applied to demonstrate a minimum recoverable amount without the need for a more complex analysis when it can be inferred that no impairment has occurred.

Recognition of value impairment restatements and their reversal, if any, will be entered respectively as an expense or as revenue in the income statement. The reversal of the impairment will be limited to the carrying value of the investment that would have been recognised on the reversal date if the impairment had not occurred.

However, in the event of an investment in the company prior to its classification as a group, multigroup or associate company, and valuation restatements have been made directly attributable to the equity resulting from said investment prior to the aforesaid classification, these restatements shall be maintained after the classification until the investment is disposed of or deregistered, at which time they shall be recognised in the income statement, or until the following circumstances occur:

a) In the case of prior valuation restatements for increases in value, valuation impairment restatements will be entered against the item of equity that includes the previously-made valuation restatements up to the amount of the same and the excess, if any, will be recognised in the income statement. Value impairment restatements imputed directly to net equity shall not be reversed.
b) Prior valuation restatements due to write-downs that result in a recoverable amount greater than the carrying value of the investments, the latter will be increased up to the limit of the write-down against the item to which the valuation restatements were imputed. From that point on the resulting balance will be considered to constitute the cost of the investment. However, in the event of objective evidence of impairment in the value of the investment, the losses accumulated directly in equity will be recognised in the income statement.

Impairment test as at 31 December 2021:

In accordance with the procedures indicated above, the Company has carried out the appropriate internal impairment test on its financial investments in Group companies, mainly based on its estimates set forth in the business plan and which includes an increase of approximately 90% in the number of sales for the 2022 financial year and an EBITDA of approximately 25% on sales.

Pursuant to the above, the Directors have not detected signs that would justify the need to recognise any additional impairment on the basis of the valuation carried out at the end of the 2021 financial year.

Interest and dividends

Interest and dividends on financial assets accrued after acquisition are recognised as revenues in the income statement. Interest from financial assets valued at cost must be recognised on the basis of the effective interest rate method and dividends when they are allocated to the shareholder entitled to receive them.

For these purposes, taking into account the maturity of the financial assets, the sum of the explicit interest accrued and not due at that moment and the sum of the dividends agreed by the competent body up to the time of acquisition are independently recognised in the initial valuation of said assets.

"Explicit interest rate" is understood to mean that obtained by applying the contractual interest rate of the financial instrument.

If the allocated dividends unequivocally originate in outcomes generated prior to the acquisition date of the investee due to the fact that amounts in excess of the profits generated by the same since acquisition have been distributed, these dividends shall not be recognised as income and will reduce the carrying value of the investment by the appropriate amount.

Unless the allocation charged to said profits must unequivocally be treated as recovery of the investment from the point of view of the entity that collects the dividend, the appraisal as to whether or not profits have been generated by the investee will be made taking only the profits recognised in the individual income statement as at the acquisition date into account.

Cancellation of financial assets

The Company will write off a financial asset, or part of it, when the contractual rights to the cash flows of the financial asset expire or have been assigned. For this to happen, the risks and benefits inherent in ownership of the asset must have been substantially transferred. Said risks and benefits are assessed by comparing the exposure of the Company to variation in the amounts and timing of the net cash flows of the assigned asset before and after transfer of the same. The risks and benefits of ownership of the financial asset shall be understood to have been substantially assigned when their exposure to said variation is no longer significant with respect to the total variation in the present value of the future net cash flows associated with the financial asset.

If the Company has not substantially assigned or retained the risks and benefits of ownership, the financial asset will be deregistered if the Company has failed to retain control of it. Occurrence of this circumstance will depend on the capacity of the transferee to unilaterally transfer the entire asset to an unrelated third party without imposing conditions. The transferring company will continue to recognise the transferred asset for the amount to which the Company is exposed to variations in the value of the same (i.e. the Company is still involved with the asset) and will recognise an associated liability if the former retains control of it.

The gain or loss arising from derecognition when the financial asset is written off forms part of the revenue for the year in which it occurs and is determined by the difference between the consideration received net of any attributable transaction costs, taking any new asset acquired into account minus any liability assumed, and the book value of the financial asset plus any accumulated earnings already recognised directly in equity.

The above criteria shall also be applied to transfers of a group of financial assets or a part of the same.

3.6 Financial liabilities

Financial liabilities are classified into the following valuation categories: amortised cost financial liabilities and fair value financial liabilities with changes in the income statement.

Amortised cost financial liabilities

Financial liabilities are classified into the following valuation categories: amortised cost financial liabilities and fair value financial liabilities with changes in the income statement.

As a general rule, this category includes debits for both trade and non-trade transactions:

a) Debits for trade transactions: these are financial liabilities that originate in acquisition of goods and services for the company's trade transactions with deferred payment, and

b) Debits for non-trade transactions: these are financial liabilities which – not being derivative instruments, do not originate in trade transactions but in transactions involving loans or credits received by the company.

Initial valuation

Financial liabilities classified in this category are initially recognised at fair value which, unless there is evidence to the contrary, will be the transaction price which in turn is equal to the fair value of the consideration plus any transaction costs directly imputable to the liability in question.

Notwithstanding the above, debits for trade transactions with maturity at no more than one year that do not have a contractual interest rate and disbursements required by third parties on holdings the amount of which is expected to be paid in the short term may be valued at their face value when the effect of not updating cash flows negligible.

Subsequent valuation

Financial liabilities recognised in this category are valued at their amortised cost. Accrued interest is charged to the income statement on the basis of the effective interest rate method.

Nevertheless, debits with a maturity of no more than one year which – in accordance with the provisions of the above section are initially recognised at face value – will continue to be valued at said amount.

Deregistration and modification of financial liabilities

The Company will deregister a financial liability, or part of it, when the associated obligation has extinguished; i.e., when it has been settled, cancelled, or has expired. It will also deregister any of its own financial liabilities that it may acquire even when the intention is to reallocate them in the future.

The difference between the book value of the financial liability – or the part of it that has been written off and that also includes any assigned assets other than the assumed cash or liability – and the consideration paid including directly attributable transaction costs, is recognised in the income statement for the year in which it occurs.

3.7 Net equity

The capital stock is represented by shares. Incremental costs directly attributable to the issuance of new shares or options are reported in net equity as a deduction, net of taxes, from the amounts obtained.

a) Own equity instruments held by the Company (treasury stock)

Acquisition of equity instruments by the Company is recognised separately at the acquisition cost as a reduction of the equity on the balance sheet. No result is recognised in the income statement for transactions capitalised with treasury stock.

Transaction costs related to own equity instruments are recognised as a reduction in reserves once any tax effect has been considered.

b) Capital increases by issuance of options convertible into own equity instruments

The Company uses the stock option issuance method (equity warrants – EW) in order to obtain financing for its expansion plans. A financial derivative is created if the fixed-for-fixed swap rule is not observed in accordance with the conditions of the options issue. The *fixed-for-fixed* swap rule is met if the only possible settlement of the instrument is by allocation of a fixed number of treasury stock shares for a fixed price.

Because it does not constitute hedging, the financial derivative that arises is recognised – at the time of its valuation at each accounting close – at its fair value in the income statement.

The fair value of the derivative is determined using option pricing models that take the life of the option, the market price of the underlying assets, the expected volatility of the shares and the risk-free interest rate during the life of the option into account.

Variations in the fair value of the derivative during its life (that is, from the date of signature to exercise of the option), are recognised in the consolidated financial statements as a financial cost/revenue. The derivative is written off the balance sheet on the conversion date of the options into shares and the cash received for the conversion – plus/minus the accumulated fair value of the derivative until that moment – is charged to capital and reserves (capital plus issue premium).

At the close of the financial year ended 31 December 2021 there are no options issues pending expiration and therefore there is no derivative recognised on the balance sheet on said date.

3.8 Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand bank deposits in credit institutions. Other highly-liquid short-term investments are also included under this head provided that they are easily convertible into specified amounts of cash and that their maturity time does not exceed three months.

The Company reports payments and receipts from high-rotation financial assets and liabilities for their net value in the cash flow statement. For these purposes, the rotation period is considered high when the period between the acquisition and the expiration dates does not exceed six months.

3.9 Classification of assets and liabilities as current or non-current

The Company classifies assets and liabilities as current or non-current on the balance sheet. For these purposes, current assets or liabilities are those that meet the following criteria:

- Assets are classified as current when they are expected to be capitalised, are held for sale or consumption in the course of the company's normal operating cycle, are held primarily for trade, are expected to be capitalised within twelve months after the closing date or are composed of cash and cash equivalents except in cases where they cannot be exchanged or used to settle a liability within at least the twelve months following the accounting closure date.

- Liabilities are classified as current when they are expected to be settled within the normal operating cycle, are held primarily for trade, must be settled within twelve months of the accounting closure date or there is no unconditional right to postpone cancellation of the liabilities during the twelve months following the closure date.

- Financial liabilities are classified as current when they must be settled within the twelve months following the closure date even if the original term is for a longer period and there is a refinancing or restructuring agreement for long-term payments that has concluded after the closing date and before the annual financial statements are drawn up.

All other assets and liabilities that fail to meet the conditions set forth above are classified as "non-current".

3.10 Subsidies, donations and bequests

Reimbursable grants are recognised as liabilities until they meet the conditions to be considered non-reimbursable, while non-reimbursable subsidies are recognised directly in equity as income on a systematic, rational basis in a manner correlated with expenses deriving from the subsidy. Non-refundable grants received from partners are recognised directly in equity.

For these purposes, a grant is considered non-refundable when there is an individualised agreement to grant the subsidy, all the conditions established for its award have been met and there are no reasonable doubts that it will be collected.

Monetary grants are valued at the fair value of the amount granted and non-monetary grants at the fair value of the asset received. These values are referenced to the recognition date.

Non-refundable grants related to the acquisition of intangible fixed assets, property, plant and equipment and real estate investments are charged as income for the year in proportion to the amortisation of the associated assets or, as appropriate, when they are disposed of, their value is restated due to impairment or they are written off the balance sheet. Non-refundable grants related to specific expenses and those granted to compensate for the operating deficit in the financial year in which they are granted are recognised in the income statement in the same year in which the associated expenses are accrued, except when they are used to compensate for operating deficits in future financial years, in which case they are allocated in said financial years.

3.11 Corporation tax

The corporation tax expense (income) is the amount accrued during the financial year under this head and includes both the expenditure (income) on current and deferred tax.

Both the current and deferred expense (income) are recognised in the income statement. However, the tax effect of items charged directly to net equity is recognised in net equity.

Current tax assets and liabilities shall be valued at the amounts the Company expects to pay to or recover from the tax authorities in accordance with current regulations or those approved and pending publication at the end of the year.

Deferred taxes are calculated by the balance sheet method on the basis of temporary differences that arise between the tax bases of assets and liabilities and their carrying amounts. Nevertheless, deferred taxes are not recognised if they arise from initial recognition of an asset or liability in a transaction other than a business combination that does not affect the accounting outcome or the corporation tax base at the time of the transaction. Deferred tax is calculated by applying the tax regulations and approved rates or those about to be adopted at the balance sheet date and expected to be applicable when the associated deferred tax asset is capitalised or the deferred tax liability is settled.

Deferred tax assets are only recognised to the extent that it is considered probable that the Company will have future taxable profits against which the temporary differences can be compensated.

3.12 Employee benefits

a) Severance payments

Severance payments are paid to employees as a result of Company management's decision to terminate their employment contracts before the normal retirement age. These benefits are recognised when a demonstrable commitment has been made to dismiss workers in accordance with a detailed regulatory plan of mandatory compliance. Benefits that will not be paid during the twelve months following the balance sheet date are discounted to their current value.

b) Profit-sharing plans and bonuses

The Company recognises a liability and an expense that represent the bonus for the financial year by calculating the amount based on a formula that takes the variation in the Company's capitalisation during the year in question into account. The Company recognises a provision when it is contractually obliged or when past practices have created an implicit obligation.

As at 31 December 2021 there are no incentive plans or variable remuneration policies that depend on variations in the value of the Company's shares.

c) Exclusivity clause

The Company has entered into various employment clauses that include exclusivity clauses. The directors deem that the circumstances do no warrant recognition of an associated liability or expense since the probability of occurrence is negligible.

d) Payments based on equity instruments

Transactions which, in exchange for receiving goods or services including services provided by employees, are settled by the Company using treasury stock or with an amount based on the value of its treasury stock (such as share options or share appreciation rights) are considered to constitute payments based on equity instruments.

As at 31 December 2021 there are no incentive plans or remuneration policies for employees and/or directors the payment and settlement of which is performed using treasury stock.

3.13 Provisions and contingencies

Provisions for environmental restoration, restructuring costs and litigation are recognised when they arise from a present legal or implicit obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and when the amount can be reliably estimated. Provisions for restructuring include penalties for cancellation of the lease and severance payments for employees. Provisions for future operating losses are not recognised.

Provisions are valued at the present value of the disbursements expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the specific risks of the obligation. The adjustments in the provision due to its updating are recognised as a financial expense as they accrue.

Provisions with an insignificant financial effect and a maturity period shorter than or equal to one year are not discounted.

When it is expected that part of the disbursement required to settle the provision will be paid by a third party, said reimbursement is recognised as an independent asset provided that receipt of the same is practically certain.

Potential obligations arising as a result of past events, the occurrence of which is conditioned by the occurrence or not of one or more future events beyond the Company's control, are considered to constitute contingent liabilities.

Said contingent liabilities are not subject to accounting records and their details are set forth in the report.

3.14 Business combinations

Business combinations are considered to consist of transactions in which the Company gains control of one or more undertakings understood as an integrated group of activities and assets that can be managed to provide higher yield, lower costs or other benefits to the owners.

The merger, spin-off and non-monetary contribution transactions of a business between Group companies are recognised by valuing the equity instruments acquired at their book values in the consolidated annual financial statements of the last Spanish parent company on the date on which the transaction was executed. If these consolidated annual financial statements are not drawn up, said instruments are valued at the amounts existing before the transaction in the individual annual financial statements of the contributor. Difference that may arise are entered against reserves. The effective accounting date is the start date of the financial year in which the transaction is approved.

Merger or spin-off transactions other than the above and business combinations arising from the acquisition of all the equity components of an undertaking or of a party that constitutes one or more businesses, are recognised by valuing the acquired equity components in accordance with the acquisition method. This means that these assets and liabilities will be valued as a general rule at their fair value on the date of the transaction provided that this can be reliably measured and, as required, the difference between the cost of the business combination and the value of said assets and liabilities will be entered as goodwill if it is positive or as income in the income statement if it is negative. The acquisition date is the date on which the acquiring company gains control of the target undertaking or undertakings.

3.15 Recognition of revenue from the provision of services

Revenue from the provision of services is recognised at the fair value of the consideration to be received and represents the amounts to be received for services provided in the ordinary course of the Company's business minus returns, rebates, discounts and value-added tax.

Revenue is recognised when its value can be reliably measured, it is probable that future economic benefits will accrue to the Company and the specific conditions for each activity are met as set forth below. The amount of the income cannot be reliably valued until all contingencies related to the sale have been resolved. The Company bases its estimates on historical results, taking the type of client, the type of transaction and the specific terms of each agreement into account.

The Company recognises income derived from the sale of the right to use software (licensing) for biometric facial recognition technology once all the risks and benefits of the product have been transferred to the purchaser and the conditions set forth in the above paragraph have been met. It is then charged to the income statement on the basis of the licensing term (which may be in perpetuity or for periods defined in the contract).

Income from maintenance and support services is recognised on the basis of accrual of the provision of the service.

3.16 Transactions in foreign currency

Transactions in foreign currency are converted into the functional currency using the exchange rates prevailing on the date of the transactions. Gains and losses in foreign currency that originate in settlement of these transactions and from the conversion at the cash exchange rates of the monetary assets and liabilities denominated in foreign currency at the end of the financial year are recognised in the income statement.

3.17 Balances and transactions with group companies and other related parties

Regardless of the degree of relationship, transactions between companies of the same group, if any, are accounted for in accordance with the general accounting rules. The items object of the transactions are initially recognised at fair value. Subsequent valuation is performed in accordance with the specific rules for the associated accounts.

The Company performs all its transactions with related parties at market values. The transfer prices are properly substantiated and therefore the Company's governing body considers that there are no significant risks from which substantial liabilities may arise in the future due to these transactions.

This valuation rule affects the related parties set forth in rule 15 on drafting of the annual financial statements of the Spanish General Accounting Plan. For these purposes:

a) It shall be understood that two companies from part of the group when they are linked by a direct or indirect control relationship analogous to that provided for in article 42 of the Commercial Code or when the companies are controlled by any means by one or more natural or legal persons that act jointly or are under sole management by statutory agreements or clauses.

b) It shall be understood that a company is an associated entity when, without being a group company in the sense indicated above, another company or a controlling natural person exerts a significant influence over the associated company in the manner set forth at length in the aforesaid Rule 13 on drafting of annual financial statements.

c) A party is considered to be related to another when one of them exercises or has the capacity to exercise – directly or indirectly or pursuant to pacts or agreements between shareholders or investors – control over the other or a significant influence over its financial and operating decisions as set forth in Rule 15 of on drafting of annual financial statements.

In addition to the group, multi-group and associated enterprises, natural persons with the capacity to directly or indirectly influence the Company's voting rights or those of its controlling interest such that enable them to exercise a significant influence over one or the other are deemed to constitute parties related to the Company, as are their close relations, key personnel in the Company or its controlling interest, among which the directors and senior managers and their close relations and entities over which the aforesaid persons could exercise a significant influence are also included.

3.18 Equity items of an environmental nature

Assets used on a long-term basis in the Company's activities and the main purpose of which is to prevent, reduce or repair the damage that its activities may cause to the natural environment are considered to constitute assets of an environmental nature. Expenses deriving from environmental activities are recognised as *Other operating expenses* in the financial year in which they are incurred.

The directors consider that as at 31 December 2021 and 2020 there are no contingencies of an environmental nature that could be significant in relation to the Group's equity, financial situation and consolidated results and therefore there are no provisions or contingencies entered under this head.

4 Intangible fixed assets

The following are the breakdown and movement of the items included under the head of *Intangible fixed assets*:

(In Euros)

	Euros						
	Balance at 31.12.19	Additions	Disposals	Balance at 31.12.20	Additions	Disposals	Balance at 31.12.21
Cost:							
Research	56,958	---	---	56,958	---	---	56,958
Development	594,556	930,592	(594,556)	930,592	2,100,208	(2,983,775)	47,026
Intellectual property	11,378	43,070	---	54,447	11,544	---	65,992
Computer applications	2,425,098	314,920	594,556	3,334,573	160,791	2,983,775	6,479,140
Total Cost	**3,087,989**	**1,288,582**	**---**	**4,376,571**	**2,272,544**	**---**	**6,649,115**
Accumulated amortisation:							
Research	(56,958)	---	---	(56,958)	---	---	(56,958)
Development	---	---	---	---	(66,654)	64,584	(2,070)
Intellectual property	(1,245)	(2,888)	---	(4,133)	(9,471)	---	13,604
Computer applications	(1,419,222)	503,660	---	(1,922,882)	(739,149)	(64,584)	(2,726,614)
Total Accumulated Amortisation	**(1,477,425)**	**(506,548)**	**---**	**(1,983,973)**	**(815,273)**	**---**	**(2,799,246)**
Net Book Value	**1,610,565**			**2,392,598**			**3,849,869**

a) Research and Development

The Company continues to implement its investment policy and to improve its current facial biometric applications. The capitalised expenses during the financial year ended 31 December 2021 and 2020 are associated with the following milestones:

	Euros	
Description: Project 2020	**12.2021**	**12.2020**
Improvements to Software Development Kit (SE	1,641,621	930,592
Platform as a service (PAAS)	458,588	---
Total	**2,100,209**	**930,592**

Said expenses are recognised under the head of Development since there are good reasons to foresee commercial success on completion. At this time they are reclassified under the head of Intangible assets in accordance with their nature (computer applications). If there were well-founded criteria to consider that the project was not completed successfully, the Company would write off these expenses and recognise them as losses in Intangible fixed assets. Almost all the activity involved in development of new applications or improvements to current ones has been performed internally and recognised by capitalisation of production costs under the head of *Works performed by the company for its own assets* in the income statement.

As at 31 December 2021 the sum of 2,983,775 euros has been transferred to the *Computer applications* account as a consequence of the start of marketing of the facial biometric improvements and new products.

b) Intellectual property

FacePhi Biometría is the owner of the Selphi and FacePhi Beyond Biometrics trademarks. Said ownership grants protection of these trademarks in both the European Union (MUE 015106354 and MUE 015114853 respectively) and in the United States of America pursuant to trademarks registered with the USPTO (United States Patent and Trademark Office) by certificates no. 79190080 and 79190126.

European Union Trademark certificates with registration numbers MUE 017896710 LookΦ MUE 017948110 inPhinite; MUE 017948113 4Phingers; MUE 017948116 Phivox; MUE 017948119 SignPhi and EUTM 017948878 SelphID have also been obtained. Entry into force of Act 1/2020 of 20 February, the Business Secrets Act, determines a scenario where legal certainty regarding knowledge considered to constitute business secrets (algorithms, know-how, etc.) is greater than before and consequently provides stronger protection against potential breaches of business secrets.

(In Euros)

The Company currently owns the property rights of the following registered trademarks that constitute assets:

• FACEPHI BEYOND BIOMETRICS	• PHIVOX
• SELPHI, YOU BLINK, YOU´RE IN	• SELPHI ID
• LOOK & PHI	• SIGNPHI
• INPHINITE	

FacePhi Biometría is the owner of the *Selphi You Blink you´re in* and *FacePhi Beyond Biometrics* trademarks (MUE 015106354 and MUE 015114853 respectively) in both the European Union and in the United States of America pursuant to trademarks registered with the USPTO (United States Patent and Trademark Office) by certificates no. 79190080 and 79190126.

European Union trademark protection is also provided by European trademark certificates with registration numbers MUE 017896710 LookΦ MUE 017948110 inPhinite; MUE 017948113 4Phingers; MUE 017948116 Phivox; MUE 017948119 SignPhi and MUE 017948878 SelphID.

International expansion and the Company's activity in LATAM has prompted the governing body to extend the geographical coverage of trademark protection. Consequently, the FacePhi Beyond Biometrics and SelphID Identity Validation trademarks are duly registered either as international trademarks with territorial designation or as domestic trademarks in all markets in which the Group carries out commercial activity in APAC, LATAM and EMEA.

Intellectual property rights

Entry into force of Act 1/2019 of 20 February, the Business Secrets Act, determines a scenario where legal certainty regarding knowledge considered to constitute business secrets (algorithms, know-how, etc.) is greater than before and consequently provides stronger protection against potential breaches of business secrets.

Notwithstanding, the legal doctrine and jurisprudence in the field agree that the application of the Act will not be really effective unless the companies are equipped with tools capable of configuring an environment of security, protection, reliability and traceability.

The Group has recently obtained the following technical certifications:

- The National Security Scheme (*Esquema Nacional de Seguridad* - ENS), initially designed for the field of Spanish e-government and now also applied to all service providers to public entities, lays down the security policy in the use of electronic media, the basic principles and minimum requirements for proper protection of information.
- ISO/IEC 30107-3: Level 1 and 2 - INTERNATIONAL LEVEL. This standard consists of a set of guidelines the purpose of which is to subject biometric technology to the most effective attacks possible in an attempt to break its security measures in order to assess the extent to which the application is reliable in the face of spoofing and phishing attacks.
- ISO 27001 - INTERNATIONAL LEVEL. The core mission of ISO 27001 is to protect the confidentiality, integrity and availability of the company's information. It does so by investigating issues that could potentially affect the information (i.e., risk assessment) and then determines what needs to be done to prevent these problems from occurring (i.e., risk mitigation or processing).

c) Computer applications

The Company, in accordance with the identifiability and separability criteria of intangible assets, transfers the production cost of internally-developed software improvements and utilities according to their nature (computer applications) that have entered the marketing phase for generation of income inherent in the activity.

(In Euros)

The additions for the 2021 financial year include the sum of 100,000 euros (220,000 euros at 31 December 2020) for acquired software developments by one of the Group companies.

d) Fully amortised intangible fixed assets.

The Company held the following fully-amortised tangible fixed assets as at 31 December 2021 and 2020:

	Euros	
	2021	**2020**
Research	56,958	56,958
Computer applications	1,353,953	1,040,326
Total cost	**1,410,911**	**1,097,284**

e) Other information

The Company has not recognised subsidies in relation to intangible assets during the financial year ended on 31 December 2021. However, in the 2018 financial year it recognised subsidies for capitalised R&D expenses for the sum of 113,945 euros (see Note 11.2).

As at 31 December 2021 and 2020, the Company has no firm intangible asset investment or sale commitments to third parties.

No financial expenses have been capitalised and there are no intangible fixed assets in foreign countries. All intangible fixed assets are subject to operating conditions and are not affected by encumbrances or liens. Neither has the Company made or reversed value restatements for impairment of any item of its intangible fixed assets.

f) Non-current asset impairment test

The recoverable value of non-current assets has been assessed by considering the Parent Company as a single cash-generating unit by estimating their value in use using cash-flow projections based on the business plan and estimates made by management for the next 5 years. The discount rate applied to the cash flow projections was 8.5% and the cash flows after the five-year period are extrapolated using a growth rate of 2%. No impairment has been detected in the value of the assets.

Key assumptions for calculating value in use

Calculation of value in use was based on the following hypotheses:

- Growth: the Company sets a prudent course based on information from the biometrics sector to boost its growth by 60% in 2022 and maintain a growth rate of 15% for the financial projection period (2023-2026) and of 2% per annum as at 2027. The Company continues to invest in human resources aimed at the sales and marketing activity and developing the business in countries where it already operates and by opening new offices and developing sales channels that will enable it to increase its turnover.
- EBITDA: the Company estimates that its EBITDA will undergo a progressive increase, obtaining new contracts and optimising its human resource structure.
- Discount rate: a WACC in accordance with that calculated by analysts who follow the Company has been used.
- CAPEX: the Company estimates that its investments in intangible assets, mainly for development of and improvements to its technology, will continue to grow in line with the growth in turnover and the human resource structure.

(In Euros)

Sensitivity to changes in hypotheses

In view of the differences between the book values of the Company's net assets under analysis and their value in use, Management considers it highly unlikely that any reasonably predictable or probable variation in any of the hypotheses set forth above (e.g., a 1% increase in WACC and/or 1% decrease in the growth rate) would mean that the book value of the assets would exceed their recoverable value.

5. Tangible fixed assets

The following is the breakdown and movement of the items that comprise intangible fixed assets:

	Balance at 31.12.19	Additions	Disposals	Balance at 31.12.20	Additions	Disposals	Balance at 31.12.21
Cost:							
Technical facilities	---	1,347	---	1,347	---	---	1,347
Other facilities	3,366	28,801	---	32,167	---	---	32,167
Furnishings	37,898	37,088	---	74,986	8,094	---	83,080
Information processing equipment	37,690	91,332	---	129,021	290,848	---	419,869
Other tangible fixed assets	4,498	4,715	---	9,213	---	---	9,213
Total cost	**83,451**	**163,283**	**---**	**246,733**	**298,942**	**---**	**545,676**
Accumulated amortisation:							
Other facilities	(1,831)	(1,797)	---	(3,628)	(3,217)	---	(6,845)
Furnishings	(17,184)	(4,896)	---	(22,079)	(6,705)	---	(28,784)
Information processing equipment	(23,023)	(15,280)	---	(38,303)	(59,238)	---	(97,540)
Other tangible fixed assets	(2,430)	(1,008)	---	(3,438)	(1,150)	---	(4,587)
Total accumulated amortisation	**(44,468)**	**(22,980)**	**---**	**(67,448)**	**(70,309)**	**---**	**(137,757)**
Net Book Value	**38,983**			**179,285**			**407,919**

Additions for investments in tangible fixed assets during the 2021 financial year mainly involve information technology equipment for newly recruited personnel.

The main additions in 2020 were for furnishings and other facilities, including computer equipment, associated with expansion of the offices (Note 6).

a) Fully amortised assets

As at 31 December 2021 there is fully depreciated property, plant and equipment for the sum of 27,848 euros (12,387 euros in the 2020 financial year).

b) Insurance:

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

c) Other information

No financial expenses have been capitalised, there are no encumbrances or liens on tangible fixed assets and none of them are in foreign countries. Neither has the Company made or reversed value restatements for impairment of any item of its tangible fixed assets.

(In Euros)

As at 31 December 2021 and 2020 there are no firm purchase or sale commitments for property, plant and equipment.

The Company has, however, entered into a contract for the sum of 80,000 euros with an architectural firm draw up the plans for refurbishment of the Company's new offices, which are expected to be finished by 31 December 2022.

6. Leases and other transactions of a similar nature

The following is the sum of the minimum future payments for non-cancellable operating leases:

Minimum future payments	2021	2020
Up to one year	101,738	117,886
Between one and five years	20,109	101,447
More than five years	---	---
Total	**121,848**	**219,334**

The most significant features of the leasing contracts are the following lease payments recognised as expenses for the financial year in question:

Description of the lease	Expense in finan. yr. 2021	Expense in finan. yr. 2020	Due date	Renewal	Price update criteria
Offices, garages and storage	79,153	55,539	06/05/2025	N/A	YES (CPI)
Computer hardware	833	763	21/05/2024	N/A	NO
Computer hardware	2,026	3,416	18/06/2022	N/A	NO
Computer hardware	825	720	18/12/2023	N/A	NO
Vehicles	16,439	17,948	03/01/2022	N/A	NO
Vehicles	46,446	63,026	08/01/2023	N/A	NO
Total	**145,722**	**141,413**			

In 2017 the Company entered into two operating lease contracts for vehicles initially intended for use by members of the Board of Directors. The monthly fee amounts to 1,256 euros per vehicle and expires on 3 January 2022. Both contracts were classified as operating leases due to the fact that exercising the purchase option at maturity was not considered at the time of initial recognition. One of the contracts was cancelled early on 18 March 2020 by means of subrogation by a third party. Moreover, on 8 January 2020, the Company entered into two operating leasing contracts for vehicles intended for use of members of the Board of Directors. The monthly fee amounts to 2,223 euros per vehicle and expires in 3 years. On 5 October 2021, one of the two vehicles was subleased to a third party for a fee of 2,223 euros per month for a period of 15 months.

The Company has maintained an operating lease contract since 1 October 2017 for its head offices. This contract is for a term of five years and the rent is 2,800 euros per month. Two months' prior notice and compensation of three months' rental payment are required for early cancellation. The Company has placed a rental bond of 5,400 euros.

In order to extend its current corporate head office, in the first half of 2020 the Company entered into a new lease contract with a term of five years and monthly rent of 2,493 euros. This contract may be cancelled with three months' prior notice and compensation of three month's rental payment after the first three years. The Company has placed a rental bond of 4,986 euros.

(In Euros)

7. Information on the nature and risk level of financial instruments

Financial risk management is aimed at establishing the required mechanisms to control the Company's exposure to different types of risk: market risk (including exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. Risk management is monitored by the Company's Board of Directors with the support of the management control departments.

Credit risk

Credit risk arises from potential losses caused by infringement of contractual obligations by Company's counterparties, i.e., by failure to collect financial assets in compliance with the established amounts and timeframes. The Company only works with banks and financial institutions of recognised prestige and solvency.

Due to their excellent credit standing, the Company's main debtors do not pose specific credit risks of cancellation of the balances pending collection at the end of the financial year. The following is the breakdown by seniority of the trade debtors and other accounts receivable as at 31 December:

	2021	2020
Long-term debts not due	1,024,419	---
Short-term debts not due	7,218,818	4,132,690
Past due but not doubtful	685,990	20,641
Doubtful	1,177,596	1,102,302
	10,106,823	5,255,632

Restatement due to impairment (Note 9.3)	(1,177,596)	(1,102,302)
Total	8,929,227	4,153,331

Liquidity risk

Prudent management of liquidity risk entails maintaining sufficient cash and highly-liquid securities, the availability of financing through a sufficient number of committed credit facilities and the ability to liquidate market positions. Liquidity risk is considered sufficiently mitigated by the expansion of our credit lines with financial institutions (Note 12) and the convertible debt issuance financing agreements entered into with the investment fund Nice & Green, S.A. (hereinafter "Nice & Green") (see Note 11).

Market-related financial risks

a. Interest rate risk

The interest rate risk arises from long-term borrowings. Borrowing resources issued at variable rates exposes the Company to the cash flow interest rate risk. Borrowing at fixed interest rates exposes the Company to fair value interest rate risk.

b. Exchange rate risk

The Company operates internationally and is therefore exposed to exchange rate risks due to its foreign currency transactions. The exchange rate risk arises from recognised assets and liabilities. The breakdown of financial assets and liabilities and transactions denominated in foreign currency is reported in Note 14.

(In Euros)

The Company's financial management cannot predict the effects of exchange rates on future operating results due to the potential volatility of the foreign exchange markets. The company does not currently use hedging derivatives to hedge its exposure to other currencies.

c. Interest rate risk on cash flows

Income and cash flows from the Company's operating activities are for the most part independent of changes in market interest rates.

There are no significant interest rate risks for the Company's cash flows.

d. Price risks

There are no significant price risks.

Fair value estimate

The Company assumes that the book value of credits and debits for trade transactions is close to their fair value. The fair value of financial liabilities for financial reporting purposes is estimated by discounting future contractual cash flows at the current market interest rate for similar financial instruments available to the Company.

8. Financial investments in Group companies

The following are the movements posted under the head of *Short and Long-term Investments in Group and Associated Companies* for the 2021 and 2020 financial years:

	Balance at 31.12.19	Additions	Disposals	Balance at 31.12.20	Additions	Disposals/Transfers	Balance at 31.12.21
Equity instruments in multi-group and associated companies	81,264	2,000,000	---	2,081,264	---	435,313	2,516,577
Financial credits to group and related companies	88,051	157,560	6,439	252,051	200,011	(432,748)	19,313
Interest on l/t credits to group and associated companies	---	6,439	(6,439)	---	2,378	(2,378)	---
Impairment of Group holdings	---	(81,264)	---	(81,264)	---	---	(81,264)
Impairment of Gr. comp. holdings	---	(201,434)	---	(201,434)	---	201,434	---
Total l/t investments in Gr. and associated companies	**169,315**	**1,881,301**	---	**2,050,617**	**202,389**	**201,621**	**2,454,627**

8.1 Equity instruments in group companies

The following is the information on the Group companies as at 31 December 2021:

FacePhi APAC Ltd

The Company holds 100% of the share capital of FacePhi APAC Ltd, – a subsidiary incorporated for an indefinite period on 15 October 2019 with registered office in Pangyo

(In Euros)

(South Korea) – as part of its internationalisation and business development strategy. The Company was incorporated with an initial capital of 100,000,000 KRW, equivalent to 81,264 euros, fully called and paid up by the Company as the sole shareholder.

Investments in equity instruments in Group companies, in accordance with the criteria described in Note 3.5, are valued at the initial consideration at the exchange rate on the subscription or purchase date. Notwithstanding the above, the value of the unaudited net equity at the end of the 2020 financial year amounted to minus 207,178 euros, which is why the full value of the holding in said company recognised a value impairment of 81,264 euros.

As a result of maintaining said equity deficit during the first half of 2021, the Company's directors decided to convert the long-term financial credit that it had granted to the subsidiary for the sum of 435,126 euros including interest accrued at the time by means of increasing the subsidiary's capital by the corresponding amount. For this reason, on the basis of the subsidiary's business plan, the directors of the Parent Company decided to reverse the impairment of the financial credit recognised in the previous financial year. This reversal was recognised as it appears in the attached income statement as at 31 December 2021 for the sum of 201,434 euros under the head of *Impairment and outcome of disposal of financial instruments*.

Ecertic Digital Solutions, S.L.

On 20 April 2020, the purchase agreement for acquisition of 100% of the share capital of the trading company Ecertic Digital Solutions, S.L. – until then a technology supplier – was executed for the sum of 2 million euros. The Company's management considers that this transaction achieves the strategic objective of promoting the digital on-boarding service in its commercial portfolio and consolidating its domestic and international leadership in the field of identification and authentication. The transaction was settled by a cash payment of 1,159,999 euros and assignment of 164,706 shares of the Company's treasury stock valued at 840,001 euros according to the fair value of the shares involved (Note 11.1.b).

The fair value of the assets and liabilities of Ecertic, together with their book value before the acquisition, were entered as follows once the company had been acquired:

	Book value	Fair value
Intangible Assets	293,666	1,920,360
Tangible fixed assets	13,456	13,456
Trade debtors and other accounts receivable	120,329	120,829
Cash and cash equivalents	7,474	7,474
Deferred tax liabilities	-38,723	-38,723
Trade creditors and other accounts payable	-23,396	-23,396
Identified net assets	**372,806**	**2,000,000**
Goodwill arising from the transaction		---
Total acquisition cost		**2,000,000**

Therefore, the agreed acquisition price as at 31 December 2020 implies the existence of an implicit goodwill fund amounting to 1,627,194 euros that has been attributed to the technology provided by said company for development of the digital on-boarding solutions that the Group markets at the present time.

Company management has performed an internal impairment test on the recoverable value of the investment using the cash-flow discount valuation method based on the Company's business plan and financial projections and the contribution of the assets acquired with the subsidiary to the operating cycle and has not detected a need to impair the value of the investment (Note 3.3).

Celmuy Trading, S.A.

(In Euros)

On 25 April 2021, the Company acquired a 100% holding in the share capital of Celmuy Trading S.A. for an amount equivalent to its nominal value of 10,000 pesos, the equivalent to 188 euros valued at the exchange rate on the date of the transaction.

Celmuy Trading S.A. was incorporated under the laws of Uruguay on 11 August 2020 and registered in the Single Tax Registry of said country with number 218731960012. Due to the fact that it has been inactive since incorporation, it did not form part of the Consolidation Group as at 31 December 2021.

In accordance with the information on subsequent events set forth in Note 20 on 1 March 2022, Celmuy Trading has begun commercial operations. Its main activity will be marketing of the Company's technological products in Latin America and the provision of technical assistance services and implementation of the solutions marketed by the Group.

Equity position of companies eligible for the consolidation group

The following was the equity position of Group companies obtained from the unaudited accounting records as at 31 December 2021 and 2020:

	FacePhi APAC Ltd		Ecertic, S.L.	
	2021	**2020**	**2021**	**2020**
Called capital	437,055	81,264	8,867	8,867
Issue premium	---	---	703,365	703,365
Reserves	(88,018)	(126,007)	(327,603)	(389,892)
Losses previous financial years	(187,799)	---	---	---
Outcome of the financial year	48,351	(187,799)	(85,330)	62,289
Conversion differences	14,907	25,365	---	---
Subsidies	---	---	61,484	88,826
Net equity	**224,496**	**(207,178)**	**360,783**	**473,454**
% holding	100%	100%	100%	100%
Theoretical value of holding	**224,496**	**---**	**360,783**	**473,454**

Celmuy Trading S.A. did not submit financial statements on 31 December 2022 due to the fact that it had not engaged in any business activity since incorporation.

8.2 Long-term financial credit facilities

At the end of the 2019 financial year the Company entered into agreement with Facephi APC Ltd for a loan of 88,051 euros with maturity at a maximum of 3 years remunerated by interest at the official rate. However, in order to finance the operating losses generated by the subsidiary, the Company has entered into an agreement for a new credit line with a limit of 500,000 euros expiring on 31 December 2025 and which cancels the previous agreement. It is remunerated by interest at the official rate and as at 31 December 2020 252,051 euros had been drawn down. As at 31 December 2020 the interest accrued and capitalised on the principal of the loan amounted to 6,439 euros.

In view of the losses generated as a result of its incorporation and start-up that reduced its net equity to a negative figure, the Company’s governing body decided to contribute a financial credit for the sum of 435,126 euros to the subsidiary’s capital and reserves in accordance with the information provided in Note 8.1 above.

Interest accrued and capitalised on the principal of the loan as at 31 December amounts to 2,378 euros.

8.3 Short-term financial credits

(In Euros)

As at 31 December 2021 the Company has granted a credit for the sum of 192,196 euros to a Group company.

9. Financial assets

9.1 Analysis by category

The following table shows the book value of each category of financial instrument provided for in the standard for recognition and valuation of financial instruments except for balances with government agencies (Note 13):

	Euros			
	Credits, derivatives and others			
	short-term		long-term	
	2021	2020	2021	2020
Assets at cost				
Equity instruments (Note 9.3)	---	---	125,063	125,063
Assets at amortised cost				
Trade debtors and other accounts receivable (Note 9.3) (*)	7,907,312	4,253,331	1,024,419	---
Loans to personnel	---	100	1,700	4,100
Other financial assets (Note 9.3)	42,895	513,377	87,715	21,547
TOTAL	**7,950,207**	**4,766,808**	**1,238,897**	**150,709**

(*) Does not include balances with government agencies.

There are no significant differences between the book value and the fair value of financial assets recognised at cost or amortised cost.

9.2 Analysis by maturity

The following are the amounts of the financial asset instruments with a specific or determinable maturity classified by year of maturity as at 31 December2021:

	Financial assets					
	2022	2023	2024	2025	Subsequent years	Total
Financial asset						
Equity instruments	---	---	---	---	125,063	125,063
Trade debtors and accounts receivable	7,907,312	1,024,419	---	---	---	8,931,731
Other financial assets (*)	42,895	10,100	---	79,315	---	132,310
	7,950,207	**1,034,519**	**---**	**79,315**	**125,063**	**9,189,104**

(*) Does not include balances with government agencies (Note 13).

The following are the amounts of the financial asset instruments with a specific or determinable maturity classified by year of maturity as at 31 December2020:

	Financial assets					
	2021	2022	2023	2024	Subsequent years	Total
Financial asset						
Equity instruments	---	---	---	---	125,063	125,063

(In Euros)

Trade debtors and accounts receivable	4,253,431	---	---	---	---	4,253,431
Other financial assets (*)	513,377	18,960	1,700	---	4,986	539,023
	4,766,808	**18,960**	**1,700**	**---**	**130,049**	**4,917,517**

(*) Does not include balances with government agencies (Note 13).

9.3 Loans and accounts receivable

	Euros	
	2021	**2020**
Long-term loans and accounts receivable:		
Equity instruments	125,063	125,063
Loans to personnel	1,700	4,100
Other financial assets	87,715	21,547
	214,478	**150,709**
Long-term trade credits	**1,024,419**	**---**
Short-term loans and accounts receivable:		
Loans to personnel	2,600	2,400
Other financial assets	40,295	510,977
	42,895	**513,377**
Trade debtors and other short-term accounts receivable:		
Clients for the provision of services	9,084,907	5,255,632
Impairment of the value of credits due to trade transactions	(1,177,596)	(1,102,302)
Group company debtors (Note 16)	---	100,000
Advances to personnel	---	100
Other credits with government agencies (Note 13.1)	410,581	126,518
	8,317,892	**4,379,948**

The Company's collection conditions allow its customers up to one year to pay for goods and services. This is normal business practice in the sector in which it operates and particularly in technology assignment and licensing agreements.

The balance recognised under the head of *Long-term trade receivables* includes 529,349 euros for invoices due in 2023 and 495,070 euros for accrued sales that will be invoiced in the same year, all on account of licensing and technology assignment agreements entered into with customers.

Group Management considers that the credit risk is sufficiently covered in view of the solvency of the debtors with whom it works (mainly financial institutions).

Impairment of trade credits

The following are the movements of provisions for impairment:

	Euros	
	2021	**2020**
Initial balance	**1,102,302**	**749,097**
Provision for impairment of accounts receivable	75,294	353,205
Reversal of unused amounts	---	---
Final balance	**1,177,596**	**1,102,302**

Investment in long-term equity instruments

(In Euros)

On 21 December 2020, the Group called 125,000 shares with a par value of one euro (€ 1.00) representing 21.04% of the share capital of Ama Movie, A.I.E. (the group). This entity was incorporated for an indefinite period on 15 March 2018 and is domiciled in Madrid. Its tax I.D number is V-88067806 and its corporate purpose is the production, distribution and marketing of theatrical, cinematographic and audio-visual productions.

In view of the fact that the control and significant influence requirements applicable to associated and multi-group companies are not met by said investment despite holding more than 20% of the voting rights, in view of the impossibility of intervening in the group's financial and operating policy decisions, the governing body has classified it as an equity instrument valued at cost.

Other short and long-term financial assets

As at 31 December 2021 the *Other long-term financial assets* account includes the rental bonds for the offices for the sum of 13,386 euros and 74,329 euros as the final contract award good faith bond placed with AENA for supply and upgrading of a biometric facial recognition system.

Moreover, *Other short-term financial assets* account includes the sum of 8,829 euros for a fixed-term deposit (F.T.D.) of $US 10,000 with maturity on 14 February 2022 as a guarantee placed with one of its customers. There is also 31,344 euros remaining of a fixed-term deposit for the sum of 35,500 euros with a maturity date not liable to tacit renewal of 8 July 2022 placed as a performance bond with one of its customers for provision of software licensing, support and upgrading services.

Moreover, at the end of the previous financial year the sum of 448,195 euros was recognised for a F.T.D. of 550 thousand USD executed on 1 March 2018 and which is pledged as collateral for a loan at a variable interest rate under the agreement with the European Investment Fund with a limit of 1,000,000 euros (see Note 12.3.a). The term to maturity of this F.T.D. was 3 years at an interest rate of 0.05%, for which reason it was cancelled on the maturity date.

10 Cash and cash equivalents

The following breakdown shows the movements in the cash and cash equivalents account as at 31 December 2021 and 2020:

	Euros	
	2021	**2020**
Cash, euros	1,424	104
Cash, foreign currency	---	2,076
Banks and credit inst. demand c/c, euros	651,343	3,354,581
Banks and inst. credit demand c/c, f.c. (Note 14.f)	713,755	2,620,556
Total	**1,366,521**	**5,977,318**

The treasury account under *Banks and financial institutions* includes an entry of 355,264 euros (412,346 euros at 31 December 2020) for financial deposits in the trading and settlement entities of Euronext and BME Growth securities respectively, the funds of which are not freely available to the Company unless the liquidity provider estimates that the cash or shares at its disposal are excessive.

Except for those mentioned above, at the close of the financial year there are no restrictions on the availability of the balances in demand current accounts.

Previously, as a result of the financial restructuring agreement entered into on 14 December 2020, the Company held a pledge right over the current accounts and other available liquid assets for the sum of 2,244,829 euros (see Note 12.3.a).

(In Euros)

11. Net equity

The attached statement of changes in net equity shows the breakdown and movement of the various accounts under the head of Net Equity during the financial periods ended on 31 December 2021 and 2020.

11.1 Capital and reserves

a) Share capital and issue premium

The following is the composition of the Company's share capital and share premium as at 31 December 2021 and 2020:

	2021		2020	
	Capital	Issue premium	Capital	Issue premium
Authorised	605,373	10,074,525	577,141	7,222,153
	605,373	**10,074,525**	**577,141**	**7,222,153**

The following is a breakdown of movements of share capital and share premium recognised as at 31 December 2021 and 2020:

	Number of shares	Par value	Share capital	Issue premium
Initial balance as at 1 January 2021	**14,428,519**	**0.04**	**577,141**	**7,222,153**
Capital increase 25.03.2021	237,456	0.04	9,498	1,011,551
Capital increase 29.04.2021	281,001	0.04	11,240	1,138,281
Capital increase 01.06.2021	187,346	0.04	7,494	702,540
Closing balance as at 31 December 2021	**15,134,322**	**0.04**	**605,373**	**10,074,525**

	Number of shares	Par value	Share capital	Issue premium
Opening balance as at 1 January 2020	**13,569,139**	**0.04**	**542,768**	**2,812,602**
Capital increase 01.04.2020	252,780	0.04	10,111	952,979
Capital increase 30.04.2020	106,886	0.04	4,275	555,810
Capital increase 27.07.2020	231,393	0.04	9,256	1,292,334
Capital increase 07.10.2020	170,182	0.04	6,807	986,222
Capital increase 15.10.2020	98,139	0.04	3,926	622,206
Balance at 31 December 2020	**14,428,519**	**0.04**	**577,141**	**7,222,153**

On 14 December 2020 the Company entered into a new financing agreement with similar conditions and features as the previous one with Nice & Green S.A., for which reason the Extraordinary General Meeting held on 25 January 2021 agreed, in compliance with article 297.1.b of the Corporate Enterprises Act (LSC) to delegate powers to the Board of Directors to issue equity warrants (EW) convertible into shares of the Company for a maximum conversion sum of 20 million euros and to increase the share capital by the amount required to address conversion of said warrants. In accordance with art 417 of the LSC, the pre-emptive subscription rights were disabled for this transaction since the only recipient of the issue was

Nice & Green S.A. Said delegated power was limited by the condition that the total amount of the increases in share capital agreed on one or more occasions may not exceed the equivalent of half of the share capital at the time, i.e. 288,570.38 euros, under any circumstances.

The price of conversion into shares considered in the financing agreement may not be lower than 130% of the nominal value of the Parent Company's shares, i.e., at a lower price per equity warrant than 0.052 euros, or higher than the conversion price resulting from 92% of the lowest weighted average price during the six trading days prior to the date on which the conversion right is exercised. The investment commitment will end on 31 December 2022.

The funds obtained will be used to boost the organic growth the Company is experiencing in areas such as Latin America, the United States and Asia, among others, and to drive its international expansion, reinforce and enlarge the workforce in the search for excellence and commitment to achieving the Parent Company’s goals and thus foster product excellence in response to an increasingly demanding market.

a.1) Share capital and share premium formalised during 2021

The Board of Directors, in exercise of the power set forth above, issued the following capital increase transactions during the 2021 financial year and converted the E.W. into shares:

Issuance of equity warrants in February 2021

Under the aforesaid delegation by the Extraordinary General Meeting, on 15 February 2021 the Board of Directors adopted a resolution to conduct a first issue of 48,076,923 equity warrants convertible to Company shares for a maximum of 2,500,000 euros (the (February 2021) Equity Warrants). The only recipient of the (February 2021) Equity Warrants was Nice & Green.

On 18 February 2021 Nice & Green communicated their intention to exercise the right to convert the EW to shares and paid 850,000 euros in cash for conversion of 237,456 EW into the same number of new shares with a par value of 0.04 euros each. The EW exercise price was 3.5796 euros, which represents an effective amount of 849,997.4976 euros. Consequently, the new shares had an issue premium of 3.5396 euros per share and a par value of 0.04 euros, which means that the issue premium and par value contributed capital increases of 840,499.2576 euros and 9,498.24 euros, respectively.

Finally, the associated capital conversion and increase was formalised on 25 March 2021 pursuant to an instrument executed before the notary public of Castilla-La Mancha Iván Castejón Fernández-Trujillo under number 215 of his journal record and registered in the Companies Registry of Alicante on 27 April 2021.

On 6 February 2021 Nice & Green communicated their intention to exercise the right to convert the EW to shares and paid 500,000 euros in cash for conversion of 143,872 EW into the same number of new shares with a par value of 0.04 euros each. The EW exercise price was 3.4753 euros, which represents an effective amount of 499,994.89 euros. Consequently, the new shares had an issue premium of 3.4353 euros per share and a par value of 0.04 euros, which means that the issue premium and par value contributed capital increases of 494,240.05 euros and 5,754.84 euros, respectively.

On 21 February 2021 Nice & Green communicated their intention to exercise the right to convert the EW to shares and paid 500,000 euros in cash for conversion of 137,129 EW into the same number of new shares with a par value of 0.04 euros each. The EW exercise price was 3.6462 euros, which represents an effective amount of 499,992.47 euros. Consequently, the new shares had an issue premium of 3.6062 euros per share and a par value of 0.04 euros, which means that the issue premium and par value contributed capital increases of 494,507.39 euros and 5,485.08 euros, respectively.

(In Euros)

Finally, the conversion to shares with the consequent increase in the share capital by issue of 281,001 new shares with a par value of 0.04 euro per share was formally executed on 29 October 2021 in an instrument executed before the notary public of Castilla-La Mancha Ignacio Javier Torres López under number 366 of his journal record. The conversion price of the first 143,872 EW was 3.4753 euros and 3.6462 for the remaining 137,129, which represents an effective total capital increase of 999,998.12 euros, of which the issue premium accounts for 988,758.08 euros and share capital 11,240.04 euros. This capital increase was registered with the Companies Registry of Alicante on 5 July 2021.

On 19 February 2021 Nice & Green communicated their intention their intention to exercise the right to convert the EW to shares and paid 650,000 euros in cash for conversion of 187,346 EW into the same number of new shares with a par value of 0.04 euros each. The EW exercise price was 3.4695 euros, which represents an effective amount of 649,997 euros. Consequently, the new shares had an issue premium of 3.4295 euros per share and a par value of 0.04 euros, which means that the issue premium and par value contributed capital increases of 642,503.107 euros and 7,493.841 euros, respectively.

Finally, the associated capital conversion and increase was formalised on 1 June 2021 pursuant to an instrument executed before the notary public of Castilla-La Mancha Iván Castejón Fernández-Trujillo under number 484 of his journal record and registered in the Companies Registry of Alicante on 6 August 2021.

The effect of the aforesaid issues of convertible EW and their conversion into own equity instruments on the income statement and net equity as at 30 June 2021

Since the fixed-for-fixed swap rule was not met in accordance with the valuation criteria and standards set forth in Note 3.7.b, according to the EW issuance conditions, a financial derivative is created during the life of the warrant issue until the time it is converted into shares.

Variations in the fair value of the derivative during its life (that is, from the signature date to exercise of the option) have been recognised for a total amount of 380,604 euros under the head of *16. Variation in the fair value of financial instruments* of the income statement as at 31 December 2021 as a financial cost and recognised as a balancing entry in equity as a higher share premium equivalent to the sum of the cash received for the conversion, minus the fair value accumulated by the derivative until that moment as set forth in the following breakdown:

	Number of shares	**Conversion price**	**Fair value**	**Share premium/cost**
Capital increase 25.03.2021	237,456	3.5796	4.2999	171,052
Capital increase 29.04.2021	281,001	3.5586	4.0908	149,523
Capital increase 01.06.2021	187,346	3.4695	3.7899	60,037
				380,611

a.2) Share capital and share premium formalised in previous financial years

The conditions of the share capital issues executed and formalised in previous financial years and performed pursuant to the financing framework agreement entered into on 16 September 2019 with Nice & Green S.A. were reported in detail in the reports to the Company's individual annual financial statements for the relevant financial years. Section a.1) above also contains a breakdown of the impact of the share issues and capital increases in the 2021 and 2020 financial years on net equity.

a.3) Significant holdings

Pursuant to Article 228 of the Consolidated Text of the Securities Market Act adopted by Royal Legislative Decree 4/2015 of 23 October and to Circular 3/2020 of BME Growth, as at

(In Euros)

31 December 2021, the following shareholders held a percentage of the Company's share capital equal to or greater than 5%:

	% 12.2021	% 12.2020
Salvador Martí Varó	8.69	9.13
Javier Mira Miró (*)	7.46	7.82
Juan Alfonso Ortiz Company (**)	7.66	8.50
José Cristobal Callado Solana	6.10	---

(*) There are packages of 141,470 and 35,196 shares loaned as collateral to Nice & Green according to a relevant fact published on 18 September 2019 and propriety information published on 15 December 2020, respectively.

(**) There are packages of 150;586 and 26,080 shares loaned as collateral to Nice & Green according to a relevant fact published on 18 September 2019 and propriety information published on 15 December 2020, respectively.

On 29 March 2021, a significant event was reported to BME Growth that certain members of the Board of Directors have lent 61,276 shares to Nice & Green in addition to those assigned under the previous investment agreement. Thus, a total of 176,666 shares were assigned by each of the three directors as provided for in the second Investment Agreement.

All shares issued are fully paid up. There are no restrictions on free transfer of the shares except for those lent to Nice & Green as a surety.

b) Treasury stock

The total amount of treasury stock held at 31 December 2021 is 556,510 euros (341,760 euros at 31 December 2020) represented by 126,903 shares (60,129 shares at the end of the previous financial year), the equivalent of 0.84% (0.42% in 2020) of the Company's share capital. This is well below the maximum limit of 10% provided for in article 509 of the Corporate Enterprises Act.

On 27 February 2020, the General Meeting approved a motion to authorise the Board of Directors to acquire treasury stock in the following terms:

- For a maximum of five (5) years from adoption of the agreement.
- Up to a maximum of 10% of the share capital.

When the shares are acquired for a consideration the price may vary by +/- 10% of the market value on the acquisition date.

The following are the share movements during the 2021 financial year:

	2020	Acquisitions	Disposals	2021
Cost of treasury stock	341,760	585,934	(371,184)	556,510

Treasury shares were sold during the 2021 financial year for a consideration amounting to 73, 670 euros (a gain of 235,063 euros as at 31 December 2020) recognised against *Voluntary Reserves*.

c) Reserves and outcomes of previous financial years

The following is the breakdown of reserves at the end of the financial year:

	Euros 2021	Euros 2020
Legal reserve	108,553	108,553
Voluntary Reserve	953,620	1,100,415

(In Euros)

Losses from previous financial years	(1,682,335)	---
	620,162	**1,208,968**

Legal reserve

In accordance with the provisions of article 274 of the Corporate Enterprises Act, companies that obtain liquid profits net of taxes during the financial year shall be obliged to allocate 10% of said profit to a reserve fund that shall reach an amount equal to at least one fifth of the share capital. This reserve may only be used to cover a debit balance on the income statement (if any) and must be replenished when it falls below the stipulated level.

Voluntary reserves

Voluntary reserves as at 31 December 2021 and 2020 include profits from previous years that were not distributed or allocated to mandatory reserves.

These reserves are freely available.

As set forth in the attached Statement of Changes in Net Equity, during the 2021 financial year, an amount of 73,125 euros (126,682 euros in previous years) net of taxes has been recognised against these reserves for the cost of issuance and expenses incurred as a result of the capital increases carried out during the year. An additional amount of 73,670 euros (235,063 euros in profits during the 2020 financial year) for the results obtained from the treasury stock sale-purchase transactions (see Note 11.1.b).

d) Allocation of the 2020 financial outcome and distribution proposal

The following is the proposed distribution of the outcome of the financial year ended 31 December 2021, pending approval by the General Meeting:

Allocation basis:	**2021**	**2020**
Profit (Loss) of the financial year net of corporation tax	(158,993)	(1,682,335)
Allocation		
To losses from previous financial years	(158,993)	(1,682,335)

The proposed distribution of the outcome of the financial year ended 31 December 2020 was approved by the General Meeting on 28 June 2021.

Limitations on allocation of dividends

The Company is legally bound to allocate an amount equal to 10% of the profit for the year to the legal reserve until it reaches a figure equal to at least 20% of the share capital. This reserve may not be distributed as dividends until it exceeds said 20% of the share capital.

Once the reserves required by law or by the articles of association have been covered, the Company may only pay dividends against profit for the financial year or freely available reserves if the following conditions are met:

- if the value of net assets is at least equal to that of the share capital once the distribution has been applied. For these purposes, the profits allocated directly to net equity may not directly or indirectly distributed. If there are losses from previous years that reduce the company's net equity to less than the figure for the share capital, any profit shall be used to offset these losses.
- If there are intangible assets deriving from capitalisation of R&D expenses and/or goodwill on the asset side of the balance sheet. In this case, dividends may only be

(In Euros)

distributed if the amount of available reserves is at least equal to the net amount of the non-amortised intangible assets.

The Company has not allocated dividends since it was incorporated.

11.2. Subsidies

The following are the amounts and features of the subsidies that appear on the balance sheet as at 31 December 2021 and 2020 under the head of *Subsidies, donations and bequests* and movements during this and the previous financial year:

Fin. year ended 31 December 2021

Granting body	Administration	Year granted	Amount granted	Rest pend. amort. 31.12.20	Additions (Disposals)	Transferred to 2021 profit (loss)	Tax effect	Rest pend. amort. 31.12.21
Europe (H2020)	European	2016	1,692,600	116,294	---	(67,063)	16,766	65,997
			1,692,600	**116,294**	**---**	**(67,063)**	**16,766**	**65,997**

Finan. yr. ended 31 December 2020

Granting body	Administration	Year granted	Amount granted	Rest pend. amort. 31.12.19	Additions (Disposals)	Transferred to 2020 profit (loss)	Tax effect	Rest pend. amort. 31.12.20
Europe (H2020)	European	2016	1,692,600	166,592	---	(67,063)	16,766	116,294
			1,692,600	**166,592**	**---**	**(67,063)**	**16,766**	**116,294**

H2020 is the largest European funding programme for research and innovation projects. It has a total budget of roughly 80,000 million euros for the 2014 to 2020 period. The *SME Instrument* program was specifically designed to promote highly-innovative SMEs with a vigorous appetite for growth and internationalisation to boost their success on the market.

In 2016, the Company entered into an agreement with the European Commission to obtain aid to finance investment in development over a period of 2 years in the execution of a project identified as *Facial Recognition in bank security FACCES*.

This agreement contained a clause whereby the subsidy would be awarded for a maximum of 1,692,600 euros, the equivalent of 70% of the development budget of 2,418,000 euros.

The associated costs incurred with the eligible project, on the one hand, corresponded to R&D personnel costs that were capitalised in intangible assets and, on the other, to operating costs. Therefore the subsidy has a component of capital and another of operations which was distributed between the two in proportions of 19.81% and 80.19% respectively in accordance with the costs incurred by the Company in previous years.

The Company received the following subsidies in the 2021 financial year:

- On 27 January 2021, the Valencian Institute of Business Competitiveness (IVACE) approved a subsidy for *Digitisation Projects in SMEs (Digitaliza-CV Teletrabajo)* for eligible costs totalling 67,523 euros and a grant of 27,009 euros. Due to the fact that the Company has already complied with the eligible expenses investment commitment, said subsidy has been fully allocated under the head of *Other operating revenue* on the attached income statement.
- On 30 November 2021, the Valencian Institute of Business Competitiveness (IVACE) approved a subsidy for *SME Innovation Projects: Innovation in ICTs 2021* for an eligible cost of 162,500 euros and a subsidy of 70,663 euros. The eligible expenses period runs from 1 January 2021 to 30 June 2022. Subsequently, on 25 February 2022, the IVACE notified the grantee of extension of the execution period until 31 December 2022. As at 31 December 2021 the Company's management considers that it complies with the investment activity

(In Euros)

deadlines. Nevertheless, the entire project will be executed in 2022 and for that reason the subsidy has been recognised under *Short-term debt convertible into subsidies* (Note 12.b).

- On 23 December 2021, the Valencian Institute of Business Competitiveness (IVACE) approved a subsidy for *R&D projects in Cooperation (PIDCOP-CV) 2021* for eligible costs totalling 235,615 euros and a grant of 141,369 euros. The eligible expenses period runs from 11 March 2021 to 30 June 2022. Subsequently, on 25 February 2022, the IVACE notified the grantee of extension of the execution period until 31 December2022. As at 31 December 2021 the Company's management considers that it complies with the investment activity deadlines. Nevertheless, the entire project will be executed in 2022 and for that reason the subsidy has been recognised under *Short-term debt convertible into subsidies* (Note 12.b).

12. Financial liabilities

12.1 Analysis by category

The following table shows the book value of each category of financial instrument provided for in the rules for recognition and valuation of financial instruments except for balances with government agencies (Note 13):

	Euros			
	Long-term financial liabilities			
At amortised cost:	Debts with credit inst.		Derivatives Others	
	2021	2020	2021	2020
Debits and accounts payable (Note 12.3)	5,041,251	6,054,477	---	---
TOTAL	**5,041,251**	**6,054,477**	**---**	**---**

	Euros			
	Short-term financial liabilities			
At amortised cost:	Debts with credit inst.		Derivatives Others	
	2021	2020	2021	2020
Debits and accounts payable (Note 12.3)	1,397,718	984,949	2,610,027	1,171,923
TOTAL	**1,397,718**	**984,949**	**2,610,027**	**1,171,923**

12.2 Analysis by maturity

The following are the amounts of the financial liability instruments with a specific or determinable maturity classified by year of maturity as at 31 December 2021:

	Financial liabilities					
	2022	2023	2024	2025	Subsequent years	Total
Debts with credit institutions	1,185,686	1,391,850	1,543,504	1,700,089	405,808	6,226,937
Other financial liabilities (*)	2,822,059	---	---	---	---	2,822,059
	4,007,745	**1,391,850**	**1,543,504**	**1,700,089**	**405,808**	**9,048,996**

(*) Does not include balances with government agencies.

(In Euros)

As at 31 December 2020:

	Financial liabilities					
	2021	2022	2023	2024	Subsequent years	Total
Debts with credit institutions	984,949	1,325,319	1,479,507	1,632,204	1,617,447	7,039,426
Other financial liabilities (*)	1,171,923	---	---	---	---	1,171,923
	2,156,872	**1,325,319**	**1,479,507**	**1,632,204**	**1,617,447**	**8,211,349**

(*) Does not include balances with government agencies.

12.3. Debits and accounts payable

	2021	2020
Long term debts:	**5,041,251**	**6,054,477**
Debts with credit institutions	5,041,251	6,054,477
Short term debts:	**1,397,718**	**986,547**
Debts with credit institutions	1,185,686	984,949
Other financial liabilities	212,032	1,598
Trade creditors and other accounts payable:	**2,789,971**	**1,304,235**
Suppliers	395,798	238,629
Suppliers, group companies (Note 16.b)	381,235	278,537
Sundry creditors	1,320,780	599,447
Personnel (wages and salaries pending payment)	512,213	53,712
Other debts with government agencies (Note 13.1)	179,944	133,910
Debits and accounts payable	**9,228,940**	**8,345,259**

The following is a breakdown of the debts with credit institutions as at 31 December 2021 and 2020:

	Euros			
	2021		2020	
	Short-term	Long-term	Short-term	Long-term
Bank loans	1,141,964	5,041,251	928,702	6,054,477
Credit cards	28,509	---	35,631	---
Uncollected accrued interest	15,213	---	20,616	---
Total	**1,185,686**	**5,041,251**	**984,949**	**6,054,477**

a) Loans with credit institutions

The following is a breakdown of the most important conditions of the financial loans in effect as at 31 December 2021 and 2020:

(In Euros)

Type of transaction	Maturity	Limit	31.12.21 Short-term	31.12.21 Long-term	31.12.20 Short-term	31.12.20 Long-term
Loan	31.07.21	200,000	---	---	39,850	---
Loan (1)	20.11.22	200,000	67,059	---	66,667	66,667
Loan (2)	21.03.22	500,000	---	---	169,145	45,384
Loan (3)	03.04.28	1,000,000	104,243	895,757	162,531	837,469
Syndicated loan	30.06.25	6,000,000	970,662	4,145,494	490,510	5,104,956
		Total	**1,141,964**	**5,041,251**	**928,702**	**6,054,477**

(1) Investment loan, the purpose of which is commercial establishment in the South Korean subsidiary, financing of personnel expenses, rentals and promotion.
(2) Paid off early at the end of the financial year.
(3) ICO PYMES loan On 3 May 2021 an extension of the grace period and extension of maturity was signed.

The interest rate for debts with credit institutions is the Euribor plus a margin considered to be consistent with prices on the money markets. As at 31 December 2021, the Company has recognised the sum of 15,213 euros as accrued interest pending collection (20,616 euros as at 31 December 2020).

The average interest rate of long-term debts with credit institutions as at 31 December 2021 is 4.90% (4.93% the previous year).

Syndicated financial restructuring agreement

On 14 December 2020, the Company entered into a syndicated financing agreement with a limit of 13 million euros. The Santander, CaixaBank, Sabadell and Deutsche Bank credit institutions are involved in the agreement, which is structured in three tranches:

- TRANCHE A, nominal sum of € 6 million for 5 years with half-yearly amortisation.
- TRANCHE B, Ordinary revolving credit. Nominal sum of € 5 million for three years plus two potential 1-year renewals.
- TRANCHE C, Revolving credit (bilateral contracts). Nominal sum of € 2 million over 3 years with two annual renewals up to 5 years.

The interest rate applicable to each settlement period will be Euribor + an initial 3% margin. This margin will vary depending on the variation in the net financial debt/EBITDA ratio at the end of each established review period.

Notwithstanding the unlimited personal liability of the Company acquired under the aforesaid contracts, the subsidiary Ecertic Digital Solutions, S.L. constitutes, on the same date, a joint and several surety executable on first request over all the obligations arising from said contracts. Furthermore, pledge rights in rem are constituted on the credit rights of the Operating Current Accounts and the Transitory Amortisation Account associated with the loan. Along the same lines, as a guarantee for the above obligations the Company has established a movable property mortgage on its trademarks, which are valued at 2,244,829 euros.

Based on the estimates of its cash flows set forth in the business plan, Management considers that the Company will be capable of meeting all its contractual obligations deriving from the loans and financial credits into which it has entered as at the end of the financial year.

(In Euros)

The debt issuance conditions related to the syndicated loan entail compliance with various annual ratios determined on the basis of net financial debt and financial expenses, both with respect to EBITDA, calculated using the information set forth in the Company's financial statements. As at 31 December 2021 the Company fails to meet the ratios set in the aforesaid financing agreements. Nevertheless, as at 31 December 2021 the creditors of the syndicated loan have agreed to grant the appropriate exemptions.

Credit accounts and discount lines

The Company has entered into an agreement to finance working capital for the following amounts:

	Euros					
	Drawn		Limit		Available	
	2021	2020	2021	2020	2021	2020
Credit lines	---	---	---	450,000	---	450,000
Syndicated Loans (B+C)	---	---	7,000,000	7,000,000	---	7,000,000
Advances on invoices	---	---	---	250,000	---	250,000
Credit cards	28,509	35,631	209,022	119,895	180,513	84,264
	28,509	**35,631**	**7,209,022**	**7,819,895**	**180,513**	**7,784,264**

b) Other short-term financial liabilities

Other short-term financial liabilities

Type of transaction	2021	2020
Debts convertible into subsidies	212,032	---
Others	---	1,598
Total	**212,032**	**1,598**

As at 31 December 2020 the Company had recognised the amount associated with the IVACE subsidies deemed to be refundable (see Note 11.2).

At the end of the 2021 financial year the amount of the subsidies granted and deemed to be refundable and pending substantiation amounted to 212,032 euros recognised in the short term.

c) Sundry suppliers and creditors

The Company recognises suppliers and creditors in the normal course of its business activities under this head.

d) Information on the average period of payment to suppliers. Information on the average period of payment to suppliers. Additional Provision Three. "Duty of information" of Act 15/2010 of 5 July.

The following is the information required as at 31 December 2021 and 2020 for the purposes of article 6 of the Resolution issued by the Accounting and Auditing Institute on 29 January 2017 on the information to be included in the Report in relation to deferral of payments to suppliers in trade transactions and regulated by Additional Provision Three, Duty of Information, in Act 15/2010 of 5 July that amends Act 3 /2004 of 29 December that establishes measures to combat default and late payment in trade transactions.

Item	2021	2020
	Days	Days

(In Euros)

Average period of payment to suppliers	19	21
Paid transaction ratio	19	21
Past-due transaction ratio	26	21
	Euros	
Total payments	7,266,275	7,013,762
Total pending payments	842,452	767,583

For these exclusive purposes, the Trade Creditors account encompasses the items of suppliers and various creditors for debts with suppliers of goods or services included within the scope of regulation of legal payment periods. The head of Net Purchases and Expenses for External Services encompasses the amounts recognised as such in accordance with the Spanish General Accounting Plan (PGC).

13. Government agencies and tax position

13.1 Current balances with government agencies

The following is a breakdown of the credit balances maintained with government agencies as at the end of the financial year:

	Euros			
	2021		**2020**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Deferred tax assets (Note 13.4)	**1,092,394**		**452,462**	
Deferred tax asset for:				
• VAT	171,540		126,518	
Other govt. agencies: subsidies granted	239,041			
Other credits with government agencies	**410,581**		**126,518**	
Deferred tax liabilities (Note 13.4)		**21,999**		**38,765**
Debts with the Social Security		99,606		46,916
Deferred tax liability for:				
• Personal income tax withholdings		90,720		86,994
• VAT		(10,381)		---
Other debts with government agencies		**179,944**		**133,910**

The VAT debit balance at the end of the year corresponds to the amounts to be compensated or returned included in the settlements for the fourth quarter of the 2021 and 2020 financial years.

13.2 Financial years pending verification and inspection

In compliance with the currently applicable legislation, taxes are not considered finally settled until the returns have been inspected by the tax agency or the four-year limitation period has elapsed. As at 31 December 2021, none of the Company's main tax returns since the 31 December 2017 have been inspected and are therefore open to examination by the Tax Agency.

Company Management considers that it has adequately settled all applicable taxes. However, in the event of an inspection, discrepancies could arise between Company management and the tax inspectorate on the interpretation of the regulations with respect to the fiscal treatment of certain transactions that could entail additional tax-related liabilities. Nevertheless, Management does not expect such liabilities, even if they do arise, to significantly affect the annual financial statements.

13.3 Reconciliation of the accounting result and current expense for income tax

(In Euros)

Corporation tax is calculated on the basis of the financial or accounting result obtained by applying generally accepted accounting principles, which does not necessarily have to coincide with the tax result understood as the taxable base of the tax in question.

The following shows the reconciliation of the accounting result with the corporation tax taxable base:

	Euros			
	Increase	Reduction	2021	2020
Net outcome of the financial year (loss)			**(458,472)**	**(1,829,549)**
Permanent differences:				
• Other non-deductible expenses	9,419	---	9,419	14,051
• Changes in the fair value of financial instruments (Note 11.1.a.1)	380,604	---	380,604	943,944
• Impairment of holdings in and loans to gr. comps. (Note 8.1)	---	(201,434)	(201,434)	282,697
Income / (Expenditure) allocated to Net Equity				
• Capital increase expenses (Note 11.1.c)	---	(97,500)	(97,500)	(168,910)
Taxable base			**(367,383)**	**(757,767)**
Tax rate on the taxable base (25%)			(91,846)	(189,442)
Application of rebates for taxable bases in previous years			---	---
Rebates for cross-border double taxation				
• Current financial year			---	---
• Previous financial years			---	---
Payable tax			---	---
Withholdings and payments on account			---	---
Amount payable (refundable)			**---**	**---**

As at the end of the 2021 and 2020 financial years the permanent differences are confined to consideration of fiscal penalties and surcharges and variation in the fair value of financial instruments (derivatives) related to the various capital increases as non-deductible expenses in accordance with the information set forth in Note 11.1.

The accounting expense / (income) for Corporation Tax is calculated as follows:

	Euros	
	2021	2020
Recognition of rebates for withholdings at source	(316,078)	205,158
Application of rebates for the current year	316,078	205,158
Tax on the taxable base – current expense / (income)	(91,846)	(189,442)
Expenditure / (Income) for current tax	**(91,846)**	**(189,442)**
Tax rebate for capital increase expenses	24,375	42,227
Expenditure / (Income) for deferred tax	**24,375**	**42,227**
Recognition of restatement of estimated R&D rebates (Note 13.4)	(232,009)	---
Total expenditure / (income) for Corporation Tax	**(299,479)**	**(147,214)**

13.4. Deferred tax assets and liabilities

(In Euros)

Deferred tax assets

In accordance with the principle of prudence, deferred tax assets for deductible temporary differences, negative tax base and rebates and other unused tax rebates will only be recognised to the extent that it is probable that the Company will have future taxable profits that enable application of these assets.

Tax rebates pending application

The following table shows the breakdown of rebates pending application in accordance with the corporate tax returns filed and the tax forecast for the current financial year as at 31 December 2021 and 2020:

As at 31 December 2021

Item	Year of origin	2020	Generated	Applied	2021
International double tax.	2018	57,862	---	---	57,862
Research and Development (**)	2019	---	25,740	---	25,740
International double tax.	2020	205,158	---	---	205,158
Research and Development (**)	2020	---	79,637	---	79,637
Production of films	2020	---	126,632	---	126,632
International double tax.	2021 (*)	---	316,078	---	316,078
	Total	**263,020**	**548,087**	**---**	**811,107**

(*) 2021 corporate tax estimate (Note 13.3)

(**) Rebates estimated at 12% of the taxable base.

As at 31 December 2020:

Item	Year of origin	2019	Generated	Applied	2020
International double tax.	2018	57,862	---	---	57,862
International double tax.	2020(*)	---	205,158	---	205,158
	Total	**57,862**	**205,158**	**---**	**263,020**

The definition of Research and Development (R&D) and Technological Innovation (TI) set forth in article 35 of the Corporate Tax Act that regulates the rebate for performance of said activities are indeterminate legal concepts that confer a high degree of legal uncertainty on application of the aforesaid rebate.

For the purposes of mitigating the legal uncertainty in application of the rebate, the Tax Act provides that taxpayers can obtain reasoned reports on compliance with the definitions of R&D and TI in accordance with the activities carried out the Ministry of Science and Innovation or its related bodies. These reports are binding on the Tax Agency and therefore mitigate the aforesaid legal insecurity.

In accordance with the following breakdown, during the 2021 financial year, the Company received the reasoned report that substantiates the calculation of expenses incurred during the 2019 and 2020 financial years in relation to research and development projects:

(In Euros)

ITEMS (in euros)	2019	2020	2020
Personnel	€117,423.15	€501,809.08	€619,232.23
Amortisation of tangible and intangible assets	€0.00	€0.00	€0.00
Consumables	€0.00	€0.00	€0.00
External collaborations	€97,074.93	€161,831.26	€258,906.19
Other expenses	€0.00	€0.00	€0.00
Samples	€0.00	€0.00	€0.00
Indirect costs	€0.00	€0.00	€0.00
TOTAL EXPENDITURE FOR THE FINANCIAL YEAR	**€214,498.08**	**€663,640.34**	**€878,138.42**
Subsidies received	€0.00	€0.00	€0.00
Subsidies compensated	€0.00	€0.00	€0.00
BASE FOR TAX REBATE	**€214,498.08**	**€663,640.34**	**€878,138.42**
For qualified research personnel	€0.00	€0.00	€0.00
Subsidies for qualified research personnel	€0.00	€0.00	€0.00
Base for qualified research personnel	€0.00	€0.00	€0.00
Teams devoted entirely to R&D	€0.00	€0.00	€0.00
Average base of two previous years	€0.00	€107,249.04	€107,249.04
Excess above average value	€214,498.08	€556.391.30	€770,889.38
Calculation of fiscal rebate			
Rebate on average R&D base	€0.00	€26,812.26	€26,812.26
Rebate on excess R&D base	€90,089.19	€233,684.35	€323,773.54
Additional rebate for qualified researchers devoted exclusively to R&D	€0.00	€0.00	€0.00
Investment in tangible and intangible fixed assets assigned exclusively to R&D	€0.00	€0.00	€0.00
T.I. base rebate	€0.00	€0.00	€0.00
TOTAL REBATE	**€90,089.19**	**€260,496.61**	**€350,585.80**

The provision for Corporation Tax for the financial year will be altered to include the associated rebate if a reasoned report is received for any of the projects between the drafting date of the financial statements and the tax return submission date. Consequently, the Company reported technological investment rebates for the sum of 105,377 euros in the corporation tax return for the 2020 financial year, having recognised the rebates during fiscal year 2021 as an accounting estimate restatement. Subsequently, in September 2021, a reasoned report was received that qualified the tax rebates as research and development. This entails a change from a rebate of 12% to one of 42% of the investment associated with the R&D projects. In view of the fact that the aforesaid reasoned report was received after settlement of the tax for the 2020 fiscal year, the Company has prudently decided to wait for the 2021 settlement to recognise the difference in the deduction for the sum of 245,208 euros in the 2021 financial year.

In addition, the Company reported technological investment rebates for the sum of 126,632 euros in the corporation tax return for the 2020 financial year applicable to the investment in the film production company Ama Movie, A.I.E described in Note 9.3.

Tax rebates for negative taxable bases

According to the 2021 financial forecast, the Company has the following negative taxable base items to offset with future tax rebates according:

	Euros				
Year of origin	**Bases pending 2020**	**Generated 2021**	**Compensated in 2021**	**Pending bases 2021**	**Tax credit**
2020 financial year	757,767	---	---	757,767	189,442
2021 Financial Year	---	367,383	---	367,383	91,846
Total	**757,767**	**367,383**	**---**	**1,125,150**	**281,288**

(In Euros)

Deferred tax liabilities

The temporary differences as at 31 December 2021 and 2020 derived from the subsidies received and transferred to the outcome for the financial year are set forth in this section.

The following is the breakdown of movements under this head during the 2021 and 2020 financial years:

	Euros	
	2021	**2020**
Initial balance	**38,765**	**55,531**
Temporary differences reversed for:		
- Capital subsidies granted	---	---
- Capital subsidies transferred to profit/(loss)	(16,766)	(16,766)
Final balance	**21,999**	**38,765**

14. Income and expenditure

a) Net turnover

The following is the geographic spread of the Company's net turnover from ordinary activities:

	%	%
Market	**2021**	**2020**
Spain	14.95	11.27
Rest of the European Union	---	0.93
Other countries	85.05	87.80
	100	**100**

Net turnover can also be analysed by business line:

	%	%
Line	**2021**	**2020**
Provision of services	100	100
	100	**100**

The sum of 562,924 euros was recognised as at 31 December 2021 (758,958 euros as at 31 December 2020) under the head of *Short-term accruals* in current liabilities on the attached balance sheet for estimated revenue from support and maintenance activities, accrual of which takes place in the following financial year.

b) Supplies

Costs accrued for licensed use of certain computer programs and software necessary to develop the products that the Company will subsequently market under license are set forth under this head in the income statement. The sum of 1,866,795 euros has been recognised as at 31 December 2021 (1,439,760 euros in 2020).

(In Euros)

c) Work performed by the Company for its assets

	2021	2020
Work performed by the Company for its assets	2,100,208	930,592
	2,100,208	**930,592**

The amounts set forth in the above table originate in the improvements and new versions of its computer applications that the Company has continued to make and are capitalised in Intangible Assets (see Note 4).

d) Operating subsidies included in profit/loss

In accordance with the criteria set forth in Note 3.10 as at 31 December 2021, Company Management allocated the sum of 67,063 euros to the income statement (the same amount was posted on 31 December 2020) (Note 11.2).

e) Personnel expenses

	2021	2020
Wages, salaries and similar	5,812,606	2,690,588
Severance payments	6,000	---
Company Soc. Sec. payments	900,515	343,932
Other employee benefit expenses	2,081	---
	6,721,202	**3,034,520**

The following table shows the average number of employees during the years under study:

	2021	2020
Senior management	1	2
Scientific, technical and professional personnel	139	44
Clerical workers	6	7
Sales force	6	4
Total average employees	**152**	**57**

These employees were distributed by gender as follows at the end of the year:

	2021			2020		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Executive directors	1	---	1	2	---	2
Scientific, technical and professional personnel	106	33	139	30	14	44
Clerical workers	2	4	6	2	5	7
Sales force	5	1	6	3	1	4
Total workforce at the end of the financial year	**114**	**38**	**152**	**37**	**20**	**57**

As at 31 December 2021 the Company employs 2 employees with disabilities equal to or greater than 33% (1 at 31 December 2020).

The average number of employees with a disability equal to or greater than 33% for fiscal year 2021 was 2 people (the same number during the 2020 financial year).

(In Euros)

f) Other operating expenses

The following is the breakdown of Other operating expenses by year:

	Euros	
	2021	**2020**
External services:		
Research and development expenses	2,005	---
Leases and royalties (nota 6)	145,722	141,413
Repairs and upkeep	15,683	7,362
Independent professional services	3,977,183	1,958,146
Insurance premiums	36,050	37,243
Banking and similar services	94,908	100,307
Advertising, promotion and public relations	686,167	216,139
Supplies	62,985	38,098
Other services	507,256	497,906
Taxes	1,159	3,805
Losses, impairment and variation of provisions for uncollectible trade transactions (Note 9)	75,294	383,851
Other operating expenses	**5,604,412**	**3,384,269**

g) Foreign currency: Exchange differences

The overall value of assets denominated in foreign currency (f.c.) amounts to 4,831,737 euros (6,129,958 euros in 2020). The following are the most significant items:

		Euros	
Item	**Currency**	**2021**	**2020**
Trade (foreign currency)	USD	4,077,809	3,064,135
Treasury (c/c in f.c.)	USD	713,755	2,620,556
Treasury (cash f.c.)	USD	---	2,076
Fixed-term deposits (f.c.)	USD	40,173	443,191
	Total	**4,831,737**	**6,129,958**

The following is a breakdown of liabilities denominated in foreign currency:

		Euros	
Item	**Currency**	**2021**	**2020**
Creditors (f.c.)	USD	420,184	437,964
	Total	**420,184**	**437,964**

The following transactions were performed in foreign currencies:

	Euros	
	2021	**2020**
Services received (USD)	(3,284,492)	(1,462,367)
Turnover from services provided (USD)	10,782,492	6,320,187

[º]

The following table shows the amounts of the exchange differences recognised in the income statement for the period. The figures for transactions settled during the period are separated from those pending settlement as at 31 December 2021 and 31 December 2020:

(In Euros)

Financial instrument	Currency	Exchange differences 2021	2020
Negative cash differences	USD	17,998	201,996
Positive cash differences	USD	(176,693)	(16,106)
Negative differences from trade collections	USD	9,870	25,517
Positive differences from trade collections	USD	(72,544)	(66,761)
Negative differences for payments to suppliers	USD	28,234	421
Positive differences for balances with finan. inst.	USD	(254)	---
Positive differences for supplier payments	USD	(2,757)	(24,208)
Total for transactions settled in the financial year		**(196,146)**	**120,859**

Financial instrument	Currency	Exchange differences 2021	2020
Negative differences due to trade balances	USD	14,961	278,112
Positive differences due to trade balances	USD	(139,125)	---
Negative differences due to financial investment balances	USD	---	47,968
Positive differences due to finan. invest.	USD	(1,874)	---
Negative differences for payments to suppliers	USD	9,086	7,137
Total for transactions pending maturity		**(116,952)**	**333,217**
Total exchange differences for the financial year		**(313,099)**	**454,077**

15. Remuneration of members of the Board of Directors and senior management.

In accordance with the proposal of the Appointments and Remuneration Committee on 27 April 2021, subsequently ratified by the General Meeting held on 28 June 2021, the Governing Bodies and the Board of Directors received the following remuneration for the 2021 financial year:

- For senior management salaries: a total amount of 840,000 euros plus a supplementary amount info of 120,000 euros distributed between the two semesters of the financial year provided that the Company's turnover is 20% higher than that of the same period of previous year in both halves.
- Remuneration of the Board of Directors is composed of 250,000 euros for per diem allowances and 50,000 euros as remuneration for the Audit Committee and the Remuneration Committee.

Pursuant to these agreements, the remuneration accrued as at 31 December2021 and 2020 was the following:

a) Remuneration of members of the Board of Directors and senior management.

During the 2021 and 2020 financial years, the members of the Board of Directors, some of whom are also senior managers, received the following statutory and salary remuneration including Board expenses and per diem allowances, remuneration in kind and insurance premiums of civil responsibility for managers and directors:

	Euros 2021	2020

(In Euros)

Remuneration:		
Remuneration-Senior Management	656,830	840,000
Variable remuneration-Senior Management	90,000	225,000
Board and Audit and Remuneration Committee Allowances	300,000	300,000
Other remuneration	46,446	63,026
Insurance premiums	2,492	14,476
Total remuneration	**1,095,768**	**1,442,502**

As reported to BME Growth on 26 July 2021 by notification of proprietary information, on 23 July 2021 the Company's Board of Directors accepted the resignation of its Chairman from all the offices and positions he held in the Company until that date. In order to properly define the duty to refrain from competing, an agreement for a period of three (3) years for a consideration of 1,100,000 euros was reached and paid during the current financial year.

No advances or financial credits have been granted to the directors and nor has the Company acquired the obligation to provide pensions pension plans for members of the Board of Directors or of senior management. There are no agreements by virtue of which the members of the Board or senior management have the right to receive compensation for dismissal or separation from their positions or offices.

b) Directors and conflict of interest

In compliance with the duty of avoiding situations that could entail conflict with the interest with the Company, all members of the Board of Directors have fulfilled the obligations set forth in article 228 of the consolidated text of the Corporate Enterprises Act during the financial year. Furthermore, both the Directors and persons related to the same have refrained from incurring in the cases of conflict of interest which may be authorised by the governing body provided for in article 229 of said Act. There have been no such cases during the current financial year.

16. Balances and transactions with Group companies and other transactions with related parties

In accordance with the financial reporting framework set forth in Note 2, for the purposes of drafting and submitting these annual financial statements the Company understands that another company forms part of the Group when the two undertakings are linked by a direct or indirect control relationship. An indirect relationship is held to be analogous to that provided for in article 42 of the Spanish Commercial Code for groups of companies or, in accordance with Rules 13 and 15 for drawing up the annual financial statements, the companies are controlled by any means by one or more natural or legal persons acting jointly or are under sole management by agreements or statutory clauses.

The following is the list of Group and associated companies that incur in these circumstances as set forth in Note 1:

Group Company (Art. 42 Com. Code)	% holding	Address	Main activity
FacePhi Biometría, S.A.	Parent Company	Alicante- Spain	Marketing of biometric facial-recognition systems
FacePhi APAC Ltd	100%	Pangyo (South Korea)	Marketing of biometric facial-recognition systems
Ecertic Digital Solutions, S.L.	100%	Madrid - Spain	Marketing of software
Celmuy Trading, S.A.	100%	Montevideo (Uruguay)	Marketing of biometric facial-recognition systems

Affiliated company (Rule 15)	Address	Main activity
CF Intercity S.A.D.	San Juan (Alicante)	Public limited sports company

a) Financial investments in Group companies

The breakdown of the short-term and long-term financial investments in Group companies is set forth in Note 8.

b) Balances and trade transactions with Group and associated companies

In accordance with the information set forth in Note 15 above and until 29 September 2021 when the Parent Company registered changes to its Governing Body in the Companies Registry, in compliance with Rule 13 of the Rules for Drafting Financial Statements (NECA) the public limited sports company CF Intercity S.A.D. was considered to belong to the Group by decision-making unit but that was excluded from the consolidation perimeter.

Pursuant to the above, in accordance with the provisions of NECA 15, as at said date CF Intercity S.A.D has been deemed to constitute a related company in view of the significant influence that Javier Mira Miró – member of the Board of Directors of CF Intercity, S.A.D. and Chairman of the Board of Directors of Facephi Biometrics, S.A. – has over the same.

On 29 July 2021 Javier Mira Miró resigned from the Board of Directors of Intercity, S.A.D and therefore ceased to have significant influence over the same. Furthermore, on 29 October 2021 C.F. Intercity S.A.D becomes the first Spanish football club listed on the stock market, a circumstance that further dilutes his influence. Therefore, at the end of the current financial year and drafting date of these annual financial statements, C.F. Intercity, S.A.D is no longer an associated company of Facephi Biometria, S.A.
On 1 December 2019, the Company and CF Intercity SAD entered into an advertising sponsorship contract for a duration of 3 seasons from 1 July 2019 to 30 June 2022 for the sum of 100,000 euros per season. As at 31 December 2021 the Company has recognised the sum of 100,000 euros in the income statement under the head of *Other operating expenses* for the second half-year of the 2020-2021 sports season and the first half of the 2021/2022 season (the same amount as at 31 December 2020).

At the end of the 2020 financial year the Company granted an advance payment of 100,000 euros to C.F. Intercity, S.A.D.

Moreover, the Group company Ecertic Digital Solutions, S.L. invoiced the sum of 100,000 euros (220,000 euros and 155,000 euros in 2020) for the development and sale of computer applications for the Group and user packages for the same in addition to 91,277 euros for installation and setup by R&D workers. As at 31 December 2021 the Company maintains a credit balance with Ecertic for the sum of 381,235 euros (278,537 euros in the previous financial year) (Note 12.3).

All trade transactions performed with associated undertakings are negotiated on the basis of market prices.

17. Environmental information

The Company does not have significant tangible fixed assets intended to mitigate the environmental impact of its activity. Nor has it incurred in significant expenses during the financial year for aimed at protecting and improving the environment.

At the present time there are no known contingencies related to protection and improvement of the natural environment or their potential impact on the Company’s outcomes and equity position.

No subsidies of an environmental nature have been received.

(In Euros)

18. Provisions and contingencies

As at 31 December 2021, the Company has placed a surety for the sum of 10,000 USD that will mature on 24 February 2022 at the disposal of a customer. Said surety is pledged in a fixed-term deposit for the same amount (note 9).

As at 31 December 2021 the Company has placed a surety for the sum of 35,340 USD that will mature on 20 September 2026 at the disposal of a customer. Said surety is pledged in a fixed-term deposit for the sum of USD 35,500 (Note 9).

Moreover, on 15 October 2021 the Company placed a surety for the sum of 91,281 dollars with a financial institution for an indefinite term at the disposal of a customer as a bond for monetary responsibilities.

19. Other information

a) Audit fees

On 24 July 2020 the General Meeting agreed to renew the appointment of Auren Auditores SP, S.L.P. as the Company's auditors for the financial years ending on 31 December 2020, 2021 and 2022.

The following is a breakdown of the professional fees accrued under this head regardless of the date on which they were invoiced:

	2021	*2020*
Audit services:		
• Audit of the individual annual financial statements	22,450	21,500
• Audit of the consolidated annual financial statements	10,000	6,000
Other services related to the audits:		
• Review of the interim consolidated financial statements as at 30.06	11,000	10,500
Other accounting verification services	1.000	---
Total professional services	**44,450**	**38,000**

As at 31 December 2021 and 2020, no fees have been accrued by other companies of the Auren group for tax consultancy services, special reports, other verification services or other services of any nature whatsoever.

b) Off-balance-sheet agreements

Provided that the information involved would be significant or helpful in determining the financial position of the Company, there are no agreements or contracts or their potential financial impact that have not been included in the Balance Sheet and/or concerning which information has not been provided in other notes to the Report.

20. Subsequent events

Issuance of equity warrants in February 2022

Pursuant to the delegation granted by the General Meeting on 25 January 2021, the Company's Board of Directors agreed at its meeting on 16 February 2022 to implement a second issue of equity warrants (EW) convertible into shares for a conversion amount of 2,500,000 euros under the same terms and conditions as the previous issue. This resolution was attested before notary public on 24 February 2022 and includes the option of a capital increase and partial subscription once the investor has confirmed exercise of the option of converting the EW into the Company's shares.

On 25 February, 28 February and 9 March 2022 Nice & Green gave notice of their intention to exercise the option to convert EW into shares and paid a collective conversion amount 600,000 euros for the conversion of 32,290, 95,849 and 80,906 EW into the same number of new shares with a par value of 0.04 euros each. The new Company shares are issued as follows: 32,290 shares with an issue price 3.0969 euros each of which 3.0569 euros corresponds to the issue premium and 0.04 euros to the par value; 95,849 shares with an issue price of 3.1299 euros each of which 3.0899 euros corresponds to the issue premium and 0.04 euros to the par value and 80,906 shares with an issue price per share of 2.4720 euros of which 2.432 euros correspond to issue premium and 0.04 euros to par value.

After the increase, share capital thus stands at € 613,735, all fully called and paid up, divided into 15,343,367 shares numbered from 1 to 15,343,367 represented by book entries with a par value of four cents of a euro (€ 0.04) each, and all of the same class, identical, cumulable and indivisible. The associated capital conversion and increase was attested on 21 March 2022 pursuant to an instrument executed before the notary public of Castilla-La Mancha Iván Castejón Fernández-Trujillo under number 331 of his journal record and as at the drafting date of these annual financial statements is pending registration in the Companies Registry of Alicante.

Variation in the fair value of the financial derivative during its life (i.e., from issuance of the equity warrants to the date of the conversions, at which time the *fixed-for-fixed* swap rule is fulfilled), has detected a net loss for a total amount of 68,154 euros.

Takeover

In February 2022 the merger agreements – drafted and signed on 2 November 2021 with the applicable content and requirements provided for the purpose in articles 30 and 31 of the Trading Companies Structural Change Act (*LME*) and the project issued by the governing bodies of the absorbing company FACEPHI BIOMETRÍA, S.A. and of the absorbed company ECERTIC DIGITAL SOLUTIONS, S.L. – were attested before notary public and the merger agreements were registered.

Since the absorbing company is the direct owner of 100% of the share capital of the absorbed limited liability company, in compliance with article 51 of the LME the approval of the merger by the General Meeting of the absorbing company is not required.

On 9 November 2021 the governing bodies of both companies approved the merger transactions in accordance with the project previously drawn up and signed on 2 November, dissolving the absorbed company and acquisition of its assets by universal succession and approving the respective merger balance sheets as at 30 September 2021. The effective date of the accounting transactions of the absorbed company will be 1 January 2022.

The following is the associated merger balance sheet of the absorbed company approved by its governing body:

REPORT ON THE ANNUAL FINANCIAL STATEMENTS
OF THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2021

(In Euros)

ECERTIC balance sheet
as at 30 September 2021

(In Euros)

ASSETS	30/09/2021	31/12/2020
A) NON-CURRENT ASSETS	200,566	232,777
I. Intangible fixed assets	**191,363**	**222,737**
5. Computer applications	191,363	222,737
II. Tangible fixed assets	**9,203**	**10,040**
2. Technical facilities and other tang. fix. assets	9,203	10,040
B) CURRENT ASSETS	365,157	297,600
III. Trade debtors and other accounts receivable	**260,015**	**295,213**
1. Trade accounts, sales and provision of services	243,813	278,537
3. Other debtors	0	300
5. Current tax assets	(733)	(733)
6. Other credits with government agencies	16,936	17,109
VII. Cash and cash equivalents	**105,142**	**2,387**
1. Treasury	105,142	2,387
TOTAL ASSETS	565,723	530,377

NET EQUITY AND LIABILITIES	30/09/2021	31/12/2020
A) NET EQUITY	383,198	448,465
A-1) Capital and reserves	**308,043**	**359,639**
I. Capital	**8,867**	**8,867**
II. Issue premium	**703,365**	**703,365**
III. Reserves	**(318,590)**	**(343,579)**
1. Legal and statutory	653	653
2. Other reserves	(319,243)	(344,232)
V. Profit (loss) from previous financial years	**(9,013)**	**(46,314)**
1. Surplus	37,300	0
2. (Negative results from previous financial years)	(46,314)	(46,314)
A-3) Grants, donations and bequests received	**75,155**	**88,826**
B) NON-CURRENT LIABILITIES	25,052	29,609
IV. Deferred tax liabilities	**25,052**	**29,609**
C) CURRENT LIABILITIES	157,474	52,303
III. Short-term debts	**(3,842)**	**(3,532)**
2. Debts with credit institutions	(3,842)	(1,277)
5. Other financial liabilities	0	(2,255)
IV. Short-term debts with group and associated companies	**175,969**	**0**
V. Trade creditors and other accounts payable	**(14,653)**	**55,835**
3. Sundry creditors	11,650	1,329
4. Personnel (salaries pending payment)	(47,458)	13,662
6. Other debts with government agencies	21,155	40,844
TOTAL NET EQUITY AND LIABILITIES	565,723	530,377

Transfer of Assets and Personnel of Celmuy Trading subsidiary of Uruguay

On 4 February 2022 Celmuy Trading, S.A., a subsidiary located in Uruguay, entered into a contract for the sale of fixed assets for the sum of $US 21,000 which, together with the transfer on 1 March 2022 of the technical staff of the T.A.S. provided to date to the Facephi Group, the Group's operations begin in the aforesaid country.

The Directors consider that no other significant subsequent events have occurred that could affect the information contained in these annual financial statements in addition to the events described above.

Alicante 31 March 2022

FACEPHI BIOMETRÍA, S.A. AND SUBSIDIARIES

In compliance with the provisions of the Corporate Enterprises Act and the Commercial Code, on 31 March 2022 the Board of Directors of the trading company FacePhi Biometría, S.A. drew up the consolidated annual financial statements for the year ended 31 December 2021, comprised of the balance sheet, the consolidated income statement, the consolidated statement of changes in net equity, the consolidated statement of cash flows and the consolidated report issued on 63 pages printed on both sides and numbered from 1 to 63, together with the consolidated management report for the same period drawn up on 10 pages numbered from 1 to 10.

The Board of Directors also empowers Juan Alfonso Ortiz Company as its Secretary to sign said documents on all their pages.

THE BOARD OF DIRECTORS

Javier Mira Miró
Chairman-Joint and Several Managing Director

Fernando Orteso de Travesedo
Vice-Chairman-

Juan Alfonso Ortiz Company
Board-Member Secretary

Pablo Reig Boronat
Independent Director

David J. Devesa Rodríguez
Vice-Board-Member Secretary

Alicante 31 March 2022

FACEPHI BIOMETRÍA, S.A. AND SUBSIDIARIES

Consolidated Annual Financial Statements and Management Report for the financial year ended on 31 December 2021

Contents of the Consolidated Annual Financial Statements

Consolidated Management Report

Consolidated balance sheet
as at 31 December 2021

(In Euros)

ASSETS	NOTES TO THE REPORT	2021	2020
A) NON-CURRENT ASSETS		7,879,395	4,901,555
I. Intangible fixed assets	4	5,095,032	4,058,442
5. Other intangible fixed assets		5,095,032	4,058,442
II. Tangible fixed assets	5	422,064	189,325
2. Technical facilities and other tang. fix. assets		422,064	189,325
IV. Long-term investments in group and associated companies	8	188	50,617
V. Long-term financial investments	9.3	244,187	150,709
VI. Deferred tax assets	13.4	1,093,506	452,462
VII. Non-current trade debtors	9.3	1,024,419	0
B) CURRENT ASSETS		10,475,419	11,067,195
III. Trade debtors and other accounts receivable	9.3	8,436,474	4,396,624
1. Trade accounts, sales and provision of services		8,009,323	4,153,331
4. Other debtors		427,151	243,293
V. Short-term financial investments	9.3	44,207	517,243
VI. Short-term accruals		297,787	173,623
VII. Cash and cash equivalents	10	1,697,327	5,979,705
TOTAL ASSETS		18,355,191	15,968,750

NET EQUITY AND LIABILITIES	NOTES TO THE REPORT	2021	2020
A) NET EQUITY		8,706,650	7,017,023
A-1) Capital and reserves	11.1	8,582,504	6,811,903
I. Capital		605,373	577,141
II. Issue premium		10,074,525	7,222,153
III. Reserves		(986,979)	1,208,969
IV. (Parent Company's shares and holdings)		(556,510)	(341,760)
VI. Profit (loss) of the year attributable to the Parent Company		(553,904)	(1,854,599)
A-2) Restatement for value changes	11.2	(3,335)	0
II. Conversion differences		(3,335)	0
A-3) Grants, donations and bequests received	11.3	127,480	205,120
B) NON-CURRENT LIABILITIES		5,150,405	6,149,344
I. Long-term provisions		66,660	26,494
II. Long-term debts	12.3	5,041,251	6,054,477
2. Debts with credit institutions		5,041,251	6,054,477
IV. Deferred tax liabilities	13.4	42,493	68,373
C) CURRENT LIABILITIES		4,498,137	2,802,383
III. Short-term debts		1,393,875	985,270
2. Debts with credit institutions	12.3	1,181,843	983,672
4. Other financial liabilities		212,032	1,598
V. Trade creditors and other accounts payable	12.3	2,541,337	1,058,154
1. Suppliers		415,152	238,629
4. Other creditors		2,126,185	819,526
VI. Short-term accruals	14.a	562,924	758,958
TOTAL NET EQUITY AND LIABILITIES		18,355,191	15,968,750

Notes 1 to 20 set forth in the attached Report form an integral part of the Balance Sheet as at 31 December 2021.

Consolidated Income Statement for the year ended on 31 December 2021

(In euros)

	NOTES TO THE REPORT	(Debit) Credit 2021	2020
A) ONGOING OPERATIONS			
1. Net turnover		**13,161,826**	**7,266,240**
b) Provision of services	14.a	13,161,826	7,266,240
3. Work performed by the Group for its assets	14.c	**2,175,208**	**1,110,451**
4. Supplies	14.b	**(1,877,687)**	**(1,403,777)**
a) Consumables		0	(87,409)
c) Works performed by other companies		(1,877,687)	(1,316,367)
5. Other operating revenue		**34,213**	**10,004**
6. Personnel expenses	14.e	**(7,265,310)**	**(3,186,468)**
a) Wages, salaries and accessory exp.		(6,294,288)	(2,814,310)
b) Social Security		(968,941)	(372,158)
c) Provisions		(2,082)	0
7. Other operating expenses		**(5,629,480)**	**(3,424,287)**
a) Losses, impairment and variation of provisions for trade transactions	9.3	(75,294)	(383,851)
b) Other current operating expenses	14.f	(5,554,186)	(3,040,436)
8. Amortisation of non-financial and other fixed assets	4 and 5	**(1,284,629)**	**(839,632)**
9. Allocation of subsidies for non-financial and other fixed assets	11.3	**103,520**	**103,520**
14. Other outcomes		**(19,513)**	**(793)**
A.1) OPERATING PROFIT (LOSS)		**(601,853)**	**(364,742)**
15. Financial revenue		**285**	**173,777**
b) From negotiable securities and other financial instruments		285	173,777
16. Financial expenses		**(389,886)**	**(130,097)**
17. Variation in the fair value of financial instruments		**(380,604)**	**(943,978)**
a) Trading portfolio	11.1a)1	(380,604)	(943,978)
18. Exchange differences		**317,241**	**(454,077)**
b) Other exchange differences	14.g	317,241	(454,077)
19. Impairment and outcome of disposal of financial instruments		**201,434**	**(282,697)**
a) Impairment and losses	8	201,434	(282,697)
A.2) FINANCIAL OUTCOME		**(251,530)**	**(1,637,072)**
A.3) PROFIT (LOSS) BEFORE TAXES		**(853,383)**	**(2,001,814)**
24. Corporation tax	13.3	**299,479**	**147,214**
A.4) PROFIT/LOSS FOR FIN. YR FROM ONGOING OPERATIONS		**(553,904)**	**(1,854,599)**
A.5) CONSOLIDATED PROFIT (LOSS) OF FIN. YR		**(553,904)**	**(1,854,599)**
Profit (loss) attributable to the Parent Company		**(553,904)**	**(1,854,599)**
Profit (loss) attributable to external partners		**0**	**0**

Notes 1 to 20 set forth in the attached Report form an integral part of the Income Statement as at 31 December 2021.

Consolidated Statement of Changes in Net Equity
A) Consolidated statement of recognised income and expenditure for the year ended on 31 December 2021
(In Euros)

	Notes to the Report	2021	2020
A) CONSOLIDATED PROFIT (LOSS) OF FIN. YR		(553,904)	(1,854,599)
Income and expenditure charged directly to net equity			
I. Valuation of financial instruments			
III. Grants, donations and bequests received	11.3		52,890
VI. Conversion differences	11.2	(3,335)	
VII. Tax effect	13.5		(13,223)
B) TOTAL CONSOLIDATED INCOME AND EXPENDITURE CHARGED DIRECTLY TO NET EQUITY		(3,335)	39,668
Transfer to the consolidated Income Statement			
X. Grants, donations and bequests received	11.3	(103,520)	(103,520)
XIII. Tax effect	13.5	25,880	25,880
C) TOTAL TRANSFERS TO THE CONSOLIDATED INCOME STATEMENT		(77,640)	(77,640)
TOTAL CONSOLIDATED INCOME AND EXPENDITURE RECOGNISED (A + B + C)		(634,879)	(1,892,571)
Total income and expenditure attributable to the Parent Company		(634,879)	(1,892,571)
Total income and expenditure attributable to external partners			

B) Consolidated statement of Changes in Net Equity for the year ended on 31 December 2021

(In Euros)

			Other Parent Company reserves			Reserves in consolidated companies				
	Capital	Issue premium	Reserves	(Treasury stock)	Profit (loss) from previous financial years	By full consolidation	Profit (loss) of the year attributable	ACV-Conversion differences	Grants, donations and bequests	TOTAL
Initial balance as of 01.01.2020	**542,766**	**2,812,602**	**610,194**	**-240,354**	**-798,042**				**243,092**	**3,170,258**
I. Total consolidated recognised income and expenditure							-1,854,599		-37,972	-1,892,571
II. Transactions with partners or proprietors										
1. Capital increases	34,375	3,465,607	-126,682							3,373,300
3. Conversion of financial liabilities to net equity (Note 11.1)		943,944								943,944
5. Net transactions with Parent Company's treasury stock			235,063	-101,405						133,657
IV. Other changes in Net Equity			490,394		798,042					1,288,436
Final balance as of 31.12.2020	**577,141**	**7,222,153**	**1,208,969**	**-341,760**			**-1,854,599**		**205,120**	**7,017,023**
I. Restatement for changes of criteria 2020+										
II. Restatement for errors 2020										
Initial balance as of 01.01.2021	**577,141**	**7,222,153**	**1,208,969**	**-341,760**			**-1,854,599**		**205,120**	**7,017,023**
I. Total consolidated recognised income and expenditure							-553,904	-3,335	-77,640	-634,879
II. Transactions with partners or proprietors										
1. Capital increases	28,232	2,471,760	-73,125							2,426,868
4. Net transactions with Parent Company's treasury stock			-73,670	-214,750						-288,421
5. Conversion of financial liabilities to net equity (Note 11.1)		380,611								
6. Increase (decrease) in net equity first consolidation of subsidiary companies						-194,553				-194,553
III. Other changes in Net Equity					-1,682,335	-172,265	1,854,599			
Final balance as of 31.12.2021	**605,373**	**10,074,525**	**1,062,173**	**-556,510**	**-1,682,335**	**-366,818**	**-553,904**	**-3,335**	**127,480**	**8,706,650**

Notes 1 to 20 set forth in the attached Report form an integral part of the Statement of Changes in Net Equity as at 31 December 2021.

Consolidated Cash Flow Statement for the year ended on 31 December 2021

(In Euros)

	2021	2020
A) Operating cash flow		
1. Profit (loss) for the year before tax	-853,383	-2,001,814
2. Restatements of outcome:	1,945,613	2,439,821
a) Amortisation of fixed assets (+)	1,284,828	839,632
b) Value restatements for impairment (+/-)	75,294	635,902
c) Variation in provisions (+/-)	40,166	20,819
d) Recognition of subsidies	-103,520	-103,520
g) Financial revenues (-)	-285	-173,466
h) Financial expenses (+)	389,886	129,182
i) Exchange differences (+/-)	-121,166	147,327
j) Variation in the fair value of financial instruments (+/-)	380,611	943,944
3. Changes in working capital	-3,985,121	1,153,023
b) Debtors and other accounts receivable (+/-)	-4,830,309	3,336,118
c) Other current assets (+/-)	-124,164	-101,887
d) Creditors and other accounts payable (+/-)	1,359,939	-1,989,335
e) Other current liabilities (+/-)	-196,034	-91,874
f) Other non-current assets and liabilities (+/-)	-194,553	
4. Other operating cash flows	-711,082	-157,877
a) Interest paid (-)	-395,289	-119,746
c) Interest collected (+)	285	167,027
d) Payment (collection) of corporation tax (+/-)	-316,078	-205,158
5. Operating cash flow (+/-1 +/-2 +/-3 +/-4)	-3,603,973	1,433,153
B) Investment cash flow		
6. Investment outlays (-)	-2,614,831	-2,664,636
a) In group and associated companies	-188	-157,560
b) Intangible fixed assets	-2,247,544	-2,130,862
c) Tangible fixed assets	-303,331	-163,283
e) Other financial assets	-63,768	-206,431
g) Other assets		-6,500
7. Collection for divestment (+)	474,910	
e) Other financial assets	474,910	
8. Investment cash flow (7-6)	-2,139,922	-2,664,636
C) Financing cash flow		
9. Collection and outlays for equity instruments	2,114,072	2,677,619
a) Issue of equity instruments	2,402,493	3,331,072
c) Acquisition of treasury stock	-585,934	-1,757,521
d) Disposal of treasury stock	297,513	1,051,178
e) Grants, donations and bequests received		52,890
10. Collection and payments for financial liability instruments	-811,250	3,953,523
a) Issue		
2. Debts with financial institutions (+)		7,045,534
b) Repayment and amortisation of		
2. Debts with credit institutions(-)	-809,652	-3,087,833
4. Others (-)	-1,598	-4,178
11. Outlays for dividends and remuneration of other equity instruments		
12. Financing cash flows (+/-9+/-10-11)	1,302,822	6,631,142
D) Effect of exchange rate variations	158,695	185,890
E) Net increase/decrease in cash and cash equivalents (+/-A +/-B +/-C +/-D)	-4,282,378	5,585,549
Cash and cash equivalents at start of the year	5,979,705	394,156
Cash and cash equivalents at end of the year	1,697,327	5,979,705

Notes 1 to 20 set forth in the attached Report form an integral part of the Cash Flow Statement as at 31 December 2021.

(In Euros)

1. Nature and main activities of the Group

a) Parent company

FACEPHI BIOMETRIA S.A. (hereinafter the Parent Company) and Subsidiaries (hereinafter the Facephi Group or the Group) was incorporated for an indefinite period on 26 September 2012 before the notary public Ignacio J. Torres López. Its registered address is Calle México 20, Alicante, Spain.

According to its Articles of Association, the Company's corporate purpose is research, development and marketing of all kinds of information technology material including the hardware, software and electrical appliances. Online sales by the Internet and/or similar distribution channels, import, export, representation, marketing, distribution, dealership, wholesale and retail sale, assembly, handling, manufacture and provision of related hardware, software services on physical support and through the sale of licenses for use, electronic products and components, electrical appliances and telecommunications. Performance of Internet-based activities and provision of information and training services. Promotion, construction, acquisition, transmission, dealership, leasing (except financial leasing), subleasing, installation or direct or indirect operation of consultancy services, urban land management, administration, custody and management of all kinds of real property, plots classified in any zoning category, buildings, single-family dwellings, apartments, condominiums, sports fields, residential buildings, premises and industrial or business facilities, hospitality establishments. All the above furnished or unfurnished, acting on its own behalf or that of third parties and with property of public and private ownership.

Currently, the Group's main activity consists of marketing and implementation of biometric facial recognition software developed by the Company itself and classified in category 845 of the National Classification of Economic Activities (CNAE).

The Group has been listed on BME Growth in the expanding enterprise segment since 1 July 2014 and on Euronext Growth in Paris since 25 February 2020.

Therefore, the Group is subject to the control and supervision regime provided for under Regulation (EU) 596/2014 on market abuse, the consolidated text of the Securities Market Act approved by Royal Legislative Decree 4/2015 of 23 October and concordant provisions and by the Circulars issued by BME Growth.

b) Subsidiary and associated undertakings

Consolidation was performed by the full consolidation method to all subsidiaries, i.e. companies in which the Parent Company directly or indirectly exercises – or may exercise – its control, understood as the power to direct the financial and operating policies of a company in order to obtain economic benefits from its activities. This circumstance is evidenced (in general, but not exclusively) by direct or indirect ownership of more than 50% of the voting rights of the company in question. Subsidiaries are consolidated from the date on which control is transferred to the Group and are excluded from the consolidation perimeter on the date on which said control ceases.

The following table shows details, including the main activity and the registered address, of the companies within Facephi Group's consolidation perimeter:

Group Company (Art. 42 Com. Code)

	% holding	Address	Main activity
FacePhi Biometría, S.A.	Parent Company	Alicante- Spain	Marketing of biometric facial-recognition systems
FacePhi APAC Ltd	100%	Pangyo (South Korea)	Marketing of biometric facial-recognition systems
Ecertic Digital Solutions, S.L.	100%	Madrid - Spain	Marketing of software
Celmuy Trading, S.A.	100%	Montevideo (Uruguay)	Marketing of biometric facial-recognition systems

(In Euros)

The following is the information on the shareholder equity and percentage holdings as at 31 December 2021 and 2020 of the companies within the consolidation perimeter:

	FacePhi APAC Ltd		Ecertic, S.L.	
	2021	**2020**	**2021**	**2020**
Called capital	437,055	81,264	8,867	8,867
Issue premium	---	---	703,365	703,365
Reserves	(88,018)	(126,007)	(327,603)	(389,892)
Losses previous financial years	(187,799)	---	---	---
Outcome of the financial year	48,351	(187,799)	(85,330)	62,289
Conversion differences	14,907	25,365	---	---
Subsidies	---	---	61,484	88,826
Net equity	**224,496**	**(207,178)**	**360,783**	**473,454**
% holding	100%	100%	100%	100%
Theoretical value of holding	**224,496**	**---**	**360,783**	**473,454**

c) Companies outside the consolidation perimeter

In accordance with the regulations applicable to drafting the consolidated annual financial statements, the Uruguayan subsidiary of Facephi – Celmuy Trading, S.A. – remains outside the consolidation perimeter due to the fact that it is an inactive entity that has not engaged in any transactions whatsoever during the 2021 financial year and has therefore had a negligible impact on the group's interests.

For the same reasons, the Korean subsidiary did not consolidate its financial statements for the financial year ended 31 December 2020 with those of the rest of the group. Nevertheless, having begun its business transactions during the 2021 financial year, it has consolidated its financial statements with those of the other Group companies for the first time. The first day of January 2021 is taken as its initial consolidation date.

d) Incorporation of the Group companies and business combinations.

<u>FacePhi APAC Ltd</u>

The Parent Company holds 100% of the share capital of FacePhi APAC Ltd, – a subsidiary incorporated for an indefinite period on 15 October 2019 with registered office in Pangyo (South Korea) – as part of its internationalisation and business development strategy. The Company was incorporated with an initial capital of 100,000,000 KRW, equivalent to 81,264 euros, fully called and paid up by the Company as the sole shareholder.

<u>Acquisition of Ecertic Digital Solutions, S.L.</u>

On 20 April 2020, the purchase agreement for acquisition of 100% of the share capital of the trading company Ecertic Digital Solutions, S.L. – until then a technology supplier – was executed for the sum of 2 million euros. Group management considers that this transaction achieves the strategic objective of promoting the "digital on boarding" service in its commercial portfolio and consolidating its leadership in the field of identification and authentication at both the domestic and the international levels. The transaction was settled by cash for the sum of 1,159,999 euros and provision of 164,706 of the Parent Company's treasury stock shares for 840,001 euros, the fair value of the transferred shares (note 11.1.b).

The fair value of the assets and liabilities of Ecertic, together with their book value before the acquisition, were entered as follows once the company had been acquired:

(In Euros)

	Book value	Fair value
Intangible Assets	293,666	1,920,360
Tangible fixed assets	13,456	13,456
Trade debtors and other accounts receivable	120,329	120,829
Cash and cash equivalents	7,474	7,474
Deferred tax liabilities	-38,723	-38,723
Trade creditors and other accounts payable	-23,396	-23,396
Identified net assets	**372,806**	**2,000,000**
Goodwill arising from the transaction		---
Total acquisition cost		**2,000,000**

Therefore, the agreed acquisition price implies the existence of an implicit goodwill fund amounting to 1,627,194 euros that was attributed to the technology provided by said company for development of the digital on-boarding solutions that the Group markets at the present time and is recognised on the consolidated balance sheet as *Information Technology Applications* under the head of Intangible Assets.

Acquisition of Celmuy Trading, S.A.

On 25 April 2021, the Parent Company acquired a 100% holding in the share capital of Celmuy Trading S.A. for an amount equivalent to its nominal value of 10,000 pesos, the equivalent to 187 euros valued at the exchange rate on the date of the transaction.

Celmuy Trading S.A. was incorporated under the laws of Uruguay on 11 August 2020 and registered in the Single Tax Registry of said country with number 218731960012. Due to the fact that it has been inactive since incorporation, it did not form part of the Consolidation Group as at 31 December 2021.

In accordance with the information on subsequent events set forth in note 20, on 1 March 2022 Celmuy Trading began commercial operations. Its main activity will be marketing of the Group's technological products in Latin America and the provision of technical assistance services and implementation of the solutions marketed by the Group.

2. Annual Financial Statements reporting criteria

a) Regulatory framework for financial information applicable to the Parent Company

The consolidated annual financial statements have been drawn up on the basis of the accounting records and individual annual financial statements of the Parent Company and the consolidated companies. They include the restatements and reallocations required for temporal and valuation homogenisation with the accounting criteria under which the Group submits its fiscal information.

These consolidated annual financial statements are submitted in accordance with currently applicable commercial legislation set forth in the following provisions:

- the Commercial Code amended in accordance with Act 16/2007 of 4 July on the reform and adaptation of Spanish accounting-related commercial legislation for international harmonisation based on European Union regulations,
- Royal Decree 1514/2007 of November 16 that adopts the General Accounting Plan and its subsequent modifications incorporated by Royal Decrees 1159/2010 of 17 September, 602/2016 of 17 December and 1/2021 of 12 January and Royal Decree 1159/2010 of 17 September that approves the rules for drafting
- consolidated annual financial statements in all aspects that do not contradict the provisions of the aforesaid commercial law reform or any other provisions of the applicable regulatory financial reporting framework.
-

b) True and fair view

These consolidated annual financial statements have been drawn up on the basis of the Company's accounting records in accordance with the regulatory financial reporting framework set forth above and with the accounting principles and criteria contained in the same in such a way that they provide a true image of the Group's consolidated equity, financial position and accounting outcomes. The consolidated statement of cash flows has been drawn up in order to accurately report on the origin and use of the Group's monetary assets in the form of cash and cash equivalents.

The consolidated annual financial statements are presented in euros – the Group's functional and reporting currency – rounded to the nearest unit.

There are no exceptional reasons why accounting-related legal provisions have not been applied to show the true and fair view.

These consolidated annual financial statements, drawn up by the Company's Board of Directors, will be submitted to the Ordinary General Meeting for approval and are expected to be approved without reservations or amendments.

c) Non-mandatory accounting principles

No non-mandatory accounting principles have been applied. The Parent Company's Board of Directors has also drawn up these consolidated annual financial statements taking all the mandatory accounting principles and standards that could have a significant effect on said financial statements into account. No mandatory accounting criterion has been ignored.

d) Critical aspects of assessing and estimating uncertainty

The Parent Company's directors are responsible for the information set forth in these annual financial statements.

The Company's directors and senior managers are required to make certain estimates and assumptions that affect application of the regulations and valuation of assets, liabilities, revenues, expenses and commitments when drawing up the annual financial statements. These estimates and assumptions are based on historical experience and other factors considered reasonable under the current circumstances. The following is a breakdown of the aspects that have entailed a greater degree of judgement and complexity or those for which the hypothetical assumptions and estimation have been most significant during drafting of the annual financial statements:

- Impairment of non-current assets other than financial assets requires making estimations to determine their recoverable value in order to assess potential impairment. To determine this recoverable value, the Parent Company's Directors estimate the expected future cash flows of the assets or the cash-generating units of which they are part and use an appropriate discount rate to calculate the present value of said cash flows. The cash flows depend on fulfilment of the projections included in the business plan for the next five years while the discount rates depend on the interest rate plus the risk premium (see note 3.3).
- Deferred tax assets are recognised for all deductible temporary differences, negative tax bases pending compensation and deductions pending application for which it is probable that the Group will have future taxable profits that enable application of these assets. Significant estimates must be made to determine the amount of deferred tax assets that can be recognised taking the amounts and dates on which future taxable profits will be obtained and the reversal period of taxable temporary differences into account. As at 31 December 2020, the Group has recognised deferred tax assets for a total amount of 452,462 euros for temporary differences, taxable bases pending compensation and rebates pending application (see note 13).

These estimates are made on the basis of the best information available on the events under analysis on the drafting date of the annual financial statements. Nevertheless, it is possible that future events may make it necessary to change them (upwards or downwards) in coming financial years. Said changes, if any, will always be made in a prospective manner in accordance with the provisions of Rule 22 of the General Accounting Plan, recognising the effects of any changes in the estimates in the associated income statement.

e) The Company as a going concern

During the 2021 and 2020 financial years the Group suffered significant consolidated losses before taxes of 0.8 million and 2 million euros, respectively. These losses were mainly due to the following circumstances:

- the 120% increase in the workforce payroll due to recruitment of more than one hundred qualified specialists in software development on which much of the Group's expansion plan depends (note 14.e)
- the financial risks deriving from issuance of own equity instruments to address its financing requirements (see note 11.1) and
- the extraordinary cost incurred during the last financial year due to the voluntary resignation one of the Company's executive directors that involved a considerable financial compensation in exchange for a restrictive non-competition agreement for a period of three years (see note 15.a).

In contrast, consolidated EBITDA stood at 758 thousand euros as at 31 December 2021 (858 thousand euros in financial 2020).

Consolidated net equity amounted to 8.7 euros as at 31 December 2021, an increase of 1.8 million mainly derived from the capital increase transactions conducted during the 2021 financial year (see note 11.1).

Under these circumstances the Company's Board of Directors estimates that the cash flows generated by the business and the available financing lines will enable it to address its current liabilities and the Group's expansion plan and therefore these annual consolidated financial statements have been drawn up on the basis of the going concern principle.

f) Comparison of the information

The 2020 financial year is the first in which the Parent Company has drawn up consolidated annual financial statements. For this reason and in accordance with commercial legislation, the comparative figures are not submitted with each item on the consolidated balance sheet, of the consolidated income statement, the consolidated statement of changes in net equity, the consolidated management report and the consolidated statement of cash flows.

g) Changes in accounting criteria and correction of errors

In compliance with Spanish commercial law, in addition to the figures for the 2021 financial year, for comparative purposes those for the previous year's balance sheet, income statement, statement of changes in net equity and statement of cash flows for the previous financial year are presented.

The Management Report also contains comparative information from the previous year except when the accounting rules expressly state that it is not required.

h) Changes in accounting criteria and correction of errors

The Parent Company has not made any restatement for changes of accounting criteria during the financial year ended 31 December 2021 nor has it been necessary to rectify any error from previous periods.

i) Changes due to harmonisation of the General Accounting Plan with the provisions of Royal Decree 1/2021 of 12 January that entered force on 1 January 2021

Royal Decree 1/2021 of 12 January introduced the following changes in the General Accounting Plan:

- Amendment of the conceptual framework of the concept and definition of: *fair value*.
- Amendment of Rule 9 on recognition and valuation of: *financial instruments*.
- Amendment of Rule 10 on recognition and valuation of: *inventory*.
- Amendment of Rule 11 on recognition and valuation of: *foreign currency*.
- Amendment of Rule 14 on recognition and valuation of: *revenue from sales and provision of services*.

The Parent Company has adopted the aforesaid amendments although their impact on these annual financial statements has been negligible.

New criteria for valuing and classifying financial instruments have been defined in accordance with the amendment to Rule 9 on financial instruments. All assets previously classified as loans and other accounts receivable must now be entered as financial assets at amortised cost since they represent cash flows originating entirely in collection of principal and interest. All liabilities previously classified as debts and other accounts payable must now be entered as financial liabilities at amortised cost since they represent cash flows originating entirely in payment of principal and interest.

No changes in addition to those already mentioned have been detected after analysis of the new classification of financial assets and liabilities. The associated breakdowns are provided in notes 9 and 12, respectively.

With respect to the amendment to Rule 14 on recognition of revenue, the Group companies enter trade revenues as they are used to cancel customers' obligations, recognising the revenue from assignment of the Group's technology under licensing agreements, either for supplying said technology or for provision of other services. Consequently, implementation of the five steps based on the transfer of control of the goods or services committed to the customer has not had a significant impact on the Company's accounting. Further details are provided in Note 14.

3. Recognition and valuation rules

The following are the main recording and valuation standards used by the Grupo Gigas when drawing up these consolidated annual financial statements:

3.1 Consolidation principles

Control acquisitions

Acquisitions by the Parent Company (or any other Group Company) to obtain a controlling interest in a subsidiary constitutes a business combination that is accounted for using the acquisition method. This method requires the acquiring company to recognise the acquired identifiable assets and liabilities at full fair value on the acquisition date in a business combination and, as required, the associated goodwill or negative difference. Subsidiaries are consolidated from the date on which control is transferred to the Group and are excluded from the consolidation perimeter on the date on which said control ceases.

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

Expenses related to the issuance of equity instruments or the financial liabilities assumed do not form part of the price of the business combination and are recognised in accordance with the regulations applicable to financial instruments (Note 4.g). Fees paid to legal counsel or other professional persons involved in the business combination are recognised as expenses as they are incurred. Neither do internal costs incurred for these items form part of the cost of the business combination or any other applicable expenditure that the acquired entity would have incurred in any case.

The excess of the price of the business combination on the acquisition date over the proportional part of the value of the identifiable assets acquired minus that of the liabilities assumed that represents the holding in the acquired entity is recognised as goodwill. In the exceptional event that this amount exceeds the cost of the business combination, the excess shall be recognised as revenue in the income statement.

Assets, liabilities, income, expenditure, cash flows and other items in the Group's annual financial statements are included in the consolidated financial statements using the full consolidation method. This method requires the following:

Temporal reconciliation

The consolidated financial statements have been drawn up as at the same date and for the same period as the annual financial statements of the Parent Company. The inclusion of companies that end their financial year on dates different from those of the former is reconciled by drawing up interim financial statements on the same date and for the same period as the consolidated statements.

Value reconciliation

Assets, liabilities, income, expenditure and other items in the Group companies' annual financial statements have been valued by applying identical methods. The valuation of any assets, liabilities, income or expenditure assessed according to criteria different from those applied for consolidation have been valued again and the required restatements have been made for the sole purpose of consolidation.

Aggregation

Items of the previously-reconciled individual annual financial statements may be aggregated according to their nature.

Offsetting investment-net equity

The book values representing the equity instruments of the subsidiary directly or indirectly owned by the Parent Company are offset with the proportional part of the equity items of the aforesaid subsidiary attributable to these holdings. In general, this compensation will be made on the basis of the values resulting from applying the acquisition method as set forth above. In subsequent consolidations, investment-equity offsetting will be capitalised under the same terms as those established for the acquisition date. The excess or shortfall of the equity generated by the subsidiary from the acquisition date will be reported in the consolidated balance sheet under the head of reserves or restatements due to value changes in accordance with their nature. The part of the excess or shortfall attributable to the external partners must be entered in the *External partners* item.

Holdings by external partners.

There are no external partners as at 31 December 2021

Offsetting intragroup items

Credits and debts, income and expenditure and cash flows between Group companies are fully offset. Furthermore, all outcomes produced by internal transactions are offset and deferred until they are charged to third parties outside the Group.

Conversion of the annual financial statements of the foreign subsidiaries

All assets and liabilities of companies whose functional currency is different from the euro and that are included in the consolidation are converted to euros using the exchange rate at the end of each financial year.

Items in the income statement have been converted at the exchange rates on the dates on which the associated transactions were performed.

The difference between the amount of equity of foreign companies including the balance of the income statement calculated in accordance with the previous section, converted at the historical exchange rate and the net equity resulting from conversion of assets and liabilities in accordance with paragraph one are entered with a positive or negative sign, as required, in the net equity of the consolidated balance sheet in the Conversion Differences account, deducting the part that corresponds to non-controlling interests that appears in the Non-controlling Interests account under Net Equity on the consolidated balance sheet.

Restatement of goodwill and fair value of balance sheet items that arise when acquiring a holding in a foreign undertaking are treated as assets and liabilities of the acquired entity and are therefore converted at the exchange rate at year’s end. The exchange differences that arise in the aforesaid account are entered to *Conversion differences*.

Since 1 January 2004 (the date of transition to IFRS), the accumulated conversion differences recognised in equity are charged to the consolidated income statement as a component of the earnings or losses from disposal at the time of full or partial disposal or return of contributions of an enterprise the functional currency of which is not the euro.

3.2 Business combinations

Business combinations are considered to consist of transactions in which the Company gains control of one or more undertakings understood as an integrated group of activities and assets that can be managed to provide higher yield, lower costs or other benefits to the owners.

The merger, spin-off and non-monetary contribution transactions of a business between Group companies are recognised by valuing the equity instruments acquired at their book values in the consolidated annual financial statements of the last Spanish parent company on the date on which the transaction was executed. If these consolidated annual financial statements are not drawn up, said instruments are valued at the amounts existing before the transaction in the individual annual financial statements of the contributor. Difference that may arise are entered against reserves. The effective accounting date is the start date of the financial year in which the transaction is approved.

Merger or spin-off transactions other than the above and business combinations arising from the acquisition of all the equity components of an undertaking or of a party that constitutes one or more businesses, are recognised by valuing the acquired equity components in accordance with the acquisition method. This means that these assets and liabilities will be valued as a general rule at their fair value on the date of the transaction provided that this can be reliably measured and, as required, the difference between the cost of the business combination and the value of said assets and liabilities will be entered as goodwill if it is positive or as income in the income statement if it is negative. The acquisition date is the date on which the acquiring company gains control of the target undertaking or undertakings.

3.3 Intangible fixed assets

Assets entered under the head of intangible fixed assets are recognised at their acquisition price or production cost. Intangible fixed assets are reported in the annual financial statements at cost minus depreciation and, as appropriate, minus any accumulated value restatements due to impairment.

Intangible fixed assets are assets with a defined useful life and therefore must be written off over their useful economic life, defined as the time during which it is reasonably expected that the economic benefits inherent to the asset will produce returns for the company.

These assets are written off over a period of ten years when their useful life cannot be reliably estimated.

At all events, intangible assets must be analysed at least once a year to detect any signs of value impairment and quantify the same as required.

a) Computer application development expenses

The *development expenses* of the information technology applications that are subsequently marketed are capitalised the moment all the following conditions are met:

- Existence of a specific, individualised project that enables reliable assessment of the disbursement attributable to completion of the same.
- The allocation, attribution and distribution over time of the costs of each project are clearly established.
- There are well-founded reasons for a technically successful conclusion to the project at all times, both if the project is aimed at direct operation by the Company or at selling the resulting product to a third party if there is a market for the same once the project is concluded.
- The financial-commercial profitability of the project is reasonably assured.
- Financing to ensure completion of the projects is reasonably assured. In addition to ensuring the availability of adequate technical or other resources to complete the project and to use or sell the intangible asset.
- There is an intention to finish the intangible asset in question to use or sell it.

Fulfilment of all the above conditions is verified over the entire period during which the project is developed. The amount capitalised is that applicable the moment all the aforesaid conditions are fulfilled.

Under no circumstance shall disbursements initially recognised as expenses of the financial year in which they occur and which subsequently fulfil the above conditions be capitalised.

The expenses of own personnel and the costs of the services acquired from third parties that have participated in the development of the applications and computer software are included as increased costs of the same, with payment under the head of "Work carried out by the Company for its fixed assets" in the Income Statement.

Other development expenses are recognised as expenses when they are incurred. Development costs previously recognised as expenses are not restated as assets in subsequent years. In accordance with the conditions indicated above in this section, capitalised development costs are amortised on a straight-line basis during their estimated useful life – which shall not exceed five (5) years – for each project.

If the favourable expectations that made it possible to capitalise the development costs of a project change for the worse, the part pending amortisation is charged to outcome for the financial year in which said changes take place.

Estimates of impairment of intangible assets are based on calculation of the future cash flows derived from fulfilment of the business plan drawn up by the Group's Management and updated at a market discount rate. Said plan supports the commercial success of capitalised development spending and the expectation that it will be recovered.

As at 31 December 2021 the Parent Company estimates that there is no indication of impairment of intangible assets since the directors are reasonably sure that the business plan will be fulfilled, which means that on the basis of their forecasts, all the intangible assets and tax credits will be fully recovered in the coming years.

b) Computer applications

Computer program licenses acquired from third parties are capitalised on the basis of the costs incurred for acquisition of the programs and for configuring them for use in specific applications. These costs are written off over their estimated useful lives on a straight-line basis over a period of six (6) years.

(In Euros)

Expenses related to maintenance of computer programs are recognised as expenses when they are incurred. Costs directly related to the production of unique and identifiable computer programs controlled by the Group and which are likely to generate economic benefits in excess of costs for more than one year are recognised as intangible assets. Direct costs include the personnel costs of the software development and an appropriate percentage of overheads.

Computer program development costs recognised as assets are written off over their estimated useful lives (not exceeding five (5) years).

c) Intellectual property

Intellectual property shall be valued at the cost incurred for acquisition of the same or the right to use or to assign the use of the various versions of the program provided that, due to the contractual monetary conditions, said assets must be posted to the inventory of the acquiring company. Intellectual property includes but is not limited to: patents for inventions, utility model protection certificates, industrial design and patents of importation.

Intellectual property rights are valued at the acquisition price or production cost. The book value of development expenses capitalised at the time the associated patent or similar right is obtained, including the cost of registration and formalisation of the intellectual property, are recognised as such provided that the legal conditions required for registration in the appropriate registry are met and without prejudice to the amounts that could also be recognised for acquisition of the associated rights from third parties. Research expenses will continue to be written off at the same rate and under no circumstances will they be posted to the book value of the intellectual property. The useful life is estimated at between 10 and 20 years.

3.4 Property, plant and equipment

Property, plant and equipment are recognised at acquisition price or production cost minus accumulated depreciation and the accumulated cost of recognised losses.

Costs of extension, modernisation or improvement of property, plant and equipment are posted to Assets as increased value of the property only when they entail an increase in its capacity, productivity or extension of its useful life and provided that it is possible to know or estimate the book value of items removed from the inventory due to having been replaced.

Major repair costs are capitalised and written off over their estimated useful life. Recurring maintenance expenses are charged to the income statement for the year in which they are incurred.

With the exception of land, which is not depreciated, depreciation of property, plant and equipment is calculated on a straight-line basis depending on the nature of the asset and taking the wear and tear actually suffered due to its operation, use and enjoyment into account.

The following are the estimated useful lives:

Item	Annual percentage	Years of useful life	Method
Other facilities	10%	10	Straight-line
Furnishings	5%-10%	10-20	Straight-line
Computer hardware	25%	4	Straight-line
Other tangible fixed assets	10%-20%	5-10	Straight-line

The residual value and useful life of assets are reviewed and restated if necessary on the date of each balance sheet.

The value of an asset is immediately reduced to its recoverable amount whenever its book value is higher than its estimated recoverable amount (Note 3.3).

Gains and losses from the sale of property, plant and equipment are calculated by comparing the income obtained from the sale with the book value and are recognised in the income statement.

3.5 Impairment of non-financial assets

The directors assess whether there are indications of impairment of non-current assets at least at the close of each financial year. If so, their recoverable values are estimated.

The recoverable amount is the fair value minus the cost of sale or the value in use, whichever is higher. A loss by impairment is recognised if the book value is higher than the recoverable amount. Value in use is the net present value of expected future cash flows using risk-free market interest rates adjusted for the specific risks associated with the asset.

The recoverable value of assets that do not generate cash flows largely independent of those derived from other assets or groups of assets is determined by the cash-generating units to which said assets belong.

Valuation restatements for impairment and their reversal are recognised in the income statement. Except for those associated with goodwill, valuation restatements for impairment are reverted when the circumstances that gave rise to them cease to exist. Reversion of impairment is limited to the book value of the asset that would be applicable if the associated impairment had not been previously recognised.

The Parent Company's directors have updated their five-year business plan that forms the basis on which a new impairment test for non-financial assets will be conducted.

3.6 Financial assets

Classification of financial instruments

Financial instruments are classified at the time of initial recognition as financial assets, financial liabilities or equity instruments depending on the definition of their financial nature in the contractual agreement and on the definitions of financial asset, financial liability or equity instrument.

The Group classifies financial instruments into one category or another depending on their characteristics and the Board of Directors' investment strategy at the time of initial recognition.

Compensation criteria

Financial assets and liabilities are subject to compensation only when the creditor has an enforceable right to compensate the amounts recognised and intends to settle the net amount or to simultaneously liquidate the asset and cancel the liability.

Assets at amortised cost

If the company holds an investment solely for the purpose of receiving cash flows arising from execution of the contract and the contractual conditions of the financial asset entail cash flows that are exclusively payments of capital and interest on the outstanding principal on specific dates, the financial asset shall be recognised in said category even when it is listed for trading on an organised market.

As a general rule. this category includes debits for both trade and non-trade transactions:

a. Credits for trade transactions: these are financial assets that originate in the disposal of goods and provision of services for the company's trade transactions with deferred payment, and

b. Credits for non-trade transactions: these are financial assets which – not being equity instruments or derivatives, do not originate in trade transactions and the collection of which is a specific or specifiable amount – arise from transactions involving loans or credits granted by the company.

Initial valuation

Financial assets classified in this category are initially recognised at fair value which, unless there is evidence to the contrary, will be the transaction price which in turn is equal to the fair value of the consideration plus any transaction costs directly imputable to the asset in question.

Notwithstanding the above, debits for trade transactions with maturity at no more than one year that do not have a contractual interest rate are valued, both initially and subsequently, at their face value when the effect of not updating the cash flows is not significant.

Subsequent valuation

Financial assets recognised in this category are valued at their amortised cost. Accrued interest is charged to the income statement on the basis of the effective interest rate method.

Nevertheless, credits with a maturity of no more than one year which – in accordance with the provisions of the above section are initially recognised at face value – will continue to be valued at said amount unless they have been impaired.

The company will consider whether an impairment loss should be recognised if the contractual cash flows of a financial asset change due to the issuer's financial difficulties.

Value impairment

The required valuation restatements must be made at least at the end of each financial year if there is objective evidence that the value of a financial asset or a group of financial assets with similar collectively-assessed risk characteristics has suffered impairment as a result of one or more events having occurred after their initial recognition and which cause a reduction or delay – that may be due to the debtor's insolvency – in the estimated future cash flows.

Losses due to value impairment of these financial assets shall be the difference between their book value and the net present value of their estimated future cash flows, including any flows originating in the estimated outcome of execution of real or personal guaranties, discounted at the effective interest rate at the time of initial recognition of the asset. The effective interest rate on the closing date of the annual financial statements shall be used for financial assets with variable interest rates in accordance with the contractual conditions. Models based on statistical formulas or methods may be used to calculate impairment losses on a group of financial assets.

Impairment losses and reversals shall be recognised as expenses or revenue respectively in the income statement if the amount of such losses decreases for reasons related to a subsequent event. The reversal of impairment is recognised as income and is limited to the book value of the financial asset that would be recognised on the reversal date if the impairment had not been posted.

Notwithstanding the above, provided enables a sufficiently reliable estimate of the recoverable amount, the Company may take the market value of instruments traded on an open market as a substitute for calculation of the present value of future cash flows.

Recognition of interest on financial assets with credit impairment will follow the general rules, without prejudice to the fact that at the same time the company must assess whether said amount will be recovered and, if necessary, account for the associated impairment loss.

Financial assets at cost

The following securities shall be included in this category:

a) Investments in the equity of group, multi-group and associated companies as defined in rule 13 on drafting annual financial statements in the Spanish General Accounting Plan.

b) All other investments in equity instruments the fair value of which cannot be determined by reference to a quoted price on an active market for an identical instrument or cannot be estimated reliably and all derivatives for which said instruments are the underlying security.

c) Hybrid financial assets the fair value of which cannot be reliably estimated unless the requirements for their recognition at amortised cost are met.

d) Contributions made as a consequence of an equity account or similar contract.

e) Equity loans the interest of which is contingent in nature, either because a fixed or variable interest rate is conditional upon the borrowing company achieving a milestone (for example, making a profit) or because said interest is calculated exclusively by reference to variations in the activity of the company in question.

f) All other financial assets that would initially be classified in the fair value portfolio with changes in the income statement when a reliable estimate of their fair value cannot be obtained.

Initial valuation

Investments in this category will be initially valued at cost, which will be equivalent to the fair value of the consideration paid plus the transaction costs directly attributable to them. In the case of transactions between Group companies, the applicable criteria set forth in section 2 of Recognition and Valuation rule 19 and the criteria for determining the cost of the combination set forth in the Business Combination rule of the General Accounting Plan must be applied.

Nevertheless, in the event of an investment made prior to classification of the entity as a group, multi-group or associate company, the cost of said investment will be considered to be its book value immediately before the company became a member of the group.

The value of the any preferential subscription rights and any similar items acquired will form part of the initial valuation.

Subsequent valuation

Financial assets recognised in this category are valued at cost minus the accumulated amount of value restatements due to impairment, if any.

If a value is to be assigned to these assets due to deregistration from the balance sheet or any other reason, the weighted average cost method by homogeneous groups – understood as securities with equal rights – shall be applied.

The cost of preferential subscription and other similar rights will decrease the book value of the respective assets in the event of sale or separation of the same in order to exercise them. Said cost shall be determined by applying a generally-accepted valuation formula.

Payments made as a result of a joint venture or similar agreement will be valued at cost, increased or decreased by any profit or loss attributable to the company as a non-managing partner and minus any accumulated impairment valuations as required.

The same criteria shall be applied to equity loans the interest of which is contingent in nature, either because a fixed or variable interest rate conditional upon the borrowing company achieving a milestone (for example, making a profit) is agreed or because said interest is calculated exclusively by reference to variations in the activity of the company in question. If, in addition to contingent interest, an irrevocable fixed interest rate is agreed, the latter shall be entered as financial income as it accrues. The transaction costs shall be attributed to the income statement on a straight-line basis throughout the life of the equity loan.

Value impairment

The required valuation restatements must be made at least at the end of each financial year if these is objective evidence that the book value of an investment will not be recovered.

The amount of the valuation restatement will be the difference between its carrying value and the recoverable amount understood as the fair value minus cost of sale or the present value of the future cash flows from the investment, whichever is greater. In the case of equity instruments, the amount of the restatement shall be calculated either by estimating the expected cash flows as a result of allocation of dividends by the investee and disposal or write-off of the investment in the same or by estimating the company's share of the cash flows expected to be generated by the investee from both its ordinary activities and from disposal or write-off of the same.

In the absence of better evidence of the recoverable amount of investments in equity instruments, the impairment loss estimate for this class of assets will be calculated on the basis of the equity of the investee and the tacit capital gains existing at the valuation date net of tax effect. Provided that the investee has invested in another company in turn, this value shall be calculated by taking the equity set forth in the consolidated financial statements into account and applying the criteria of the Commercial Code and its development rules.

If the investee is domiciled outside Spanish territory, the equity to be taken into account will be annotated according to the rules contained in this provision. However, if high inflation rates are involved the values to be considered will be those resulting from the adjusted financial statements as set forth in the foreign currency rule.

As a general rule, the indirect equity-based estimation method may be used in cases where it can be applied to demonstrate a minimum recoverable amount without the need for a more complex analysis when it can be inferred that no impairment has occurred.

Recognition of value impairment restatements and their reversal, if any, will be entered respectively as an expense or as revenue in the income statement. The reversal of the impairment will be limited to the carrying value of the investment that would have been recognised on the reversal date if the impairment had not occurred.

However, in the event of an investment in the company prior to its classification as a group, multigroup or associate company, and valuation restatements have been made directly attributable to the equity resulting from said investment prior to the aforesaid classification, these restatements shall be maintained after the classification until the investment is disposed of or deregistered, at which time they shall be recognised in the income statement, or until the following circumstances occur:

a) In the case of prior valuation restatements for increases in value, valuation impairment restatements will be entered against the item of equity that includes the previously-made valuation restatements up to the amount of the same and the excess, if any, will be recognised in the income statement. Value impairment restatements imputed directly to net equity shall not be reversed.

b) Prior valuation restatements due to write-downs that result in a recoverable amount greater than the carrying value of the investments, the latter will be increased up to the limit of the write-down against the item to which the valuation restatements were imputed. From that point on the resulting balance will be considered to constitute the cost of the investment. However, in the event of objective evidence of impairment in the value of the investment, the losses accumulated directly in equity will be recognised in the income statement.

Interest and dividends

Interest and dividends on financial assets accrued after acquisition are recognised as revenues in the income statement. Interest from financial assets valued at cost must be recognised on the basis of the effective interest rate method and dividends when they are allocated to the shareholder entitled to receive them.

For these purposes, taking into account the maturity of the financial assets, the sum of the explicit interest accrued and not due at that moment and the sum of the dividends agreed by the competent body up to the time of acquisition are independently recognised in the initial valuation of said assets. “Explicit interest rate” is understood to mean that obtained by applying the contractual interest rate of the financial instrument.

If the allocated dividends unequivocally originate in outcomes generated prior to the acquisition date of the investee due to the fact that amounts in excess of the profits generated by the same since acquisition have been distributed, these dividends shall not be recognised as income and will reduce the carrying value of the investment by the appropriate amount.

Unless the allocation charged to said profits must unequivocally be treated as recovery of the investment from the point of view of the entity that collects the dividend, the appraisal as to whether or not profits have been generated by the investee will be made taking only the profits recognised in the individual income statement as at the acquisition date into account.

Cancellation of financial assets

The Company will write off a financial asset, or part of it, when the contractual rights to the cash flows of the financial asset expire or have been assigned. For this to happen, the risks and benefits inherent in ownership of the asset must have been substantially transferred. Said risks and benefits are assessed by comparing the exposure of the Company to variation in the amounts and timing of the net cash flows of the assigned asset before and after transfer of the same. The risks and benefits of ownership of the financial asset shall be understood to have been substantially assigned when their exposure to said variation is no longer significant with respect to the total variation in the present value of the future net cash flows associated with the financial asset.

If the Company has not substantially assigned or retained the risks and benefits of ownership, the financial asset will be deregistered if the Company has failed to retain control of it. Occurrence of this circumstance will depend on the capacity of the transferee to unilaterally transfer the entire asset to an unrelated third party without imposing conditions. The transferring company will continue to recognise the transferred asset for the amount to which the Company is exposed to variations in the value of the same (i.e. the Company is still involved with the asset) and will recognise an associated liability if the former retains control of it.

The gain or loss arising from derecognition when the financial asset is written off forms part of the revenue for the year in which it occurs and is determined by the difference between the consideration received net of any attributable transaction costs, taking any new asset acquired into account minus any liability assumed, and the book value of the financial asset plus any accumulated earnings already recognised directly in equity.

The above criteria shall also be applied to transfers of a group of financial assets or a part of the same.

3.7 Financial liabilities

Financial liabilities are classified into the following valuation categories: amortised cost financial liabilities and fair value financial liabilities with changes in the income statement.

Amortised cost financial liabilities

Financial liabilities are classified into the following valuation categories: amortised cost financial liabilities and fair value financial liabilities with changes in the income statement.

As a general rule, this category includes debits for both trade and non-trade transactions:

a) Debits for trade transactions: these are financial liabilities that originate in acquisition of goods and services for the company's trade transactions with deferred payment, and

b) Debits for non-trade transactions: these are financial liabilities which – not being derivative instruments, do not originate in trade transactions but in transactions involving loans or credits received by the company.

Initial valuation

Financial liabilities classified in this category are initially recognised at fair value which, unless there is evidence to the contrary, will be the transaction price which in turn is equal to the fair value of the consideration plus any transaction costs directly imputable to the liability in question.

Notwithstanding the above, debits for trade transactions with maturity at no more than one year that do not have a contractual interest rate and disbursements required by third parties on holdings the amount of which is expected to be paid in the short term may be valued at their face value when the effect of not updating cash flows negligible.

Subsequent valuation

Financial liabilities recognised in this category are valued at their amortised cost. Accrued interest is charged to the income statement on the basis of the effective interest rate method.

Nevertheless, debits with a maturity of no more than one year which – in accordance with the provisions of the above section are initially recognised at face value – will continue to be valued at said amount.

Deregistration and modification of financial liabilities

The company will deregister a financial liability, or part of it, when the associated obligation has extinguished; i.e., when it has been settled, cancelled, or has expired. It will also deregister any of its own financial liabilities that it may acquire even when the intention is to reallocate them in the future.

The difference between the book value of the financial liability – or the part of it that has been written off and that also includes any assigned assets other than the assumed cash or liability – and the consideration paid including directly attributable transaction costs, is recognised in the income statement for the year in which it occurs.

3.8 Net equity

The capital stock is represented by shares. Incremental costs directly attributable to the issuance of new shares or options are reported in net equity as a deduction, net of taxes, from the amounts obtained.

a) Own equity instruments held by the Parent Company (treasury stock)

Acquisition of equity instruments by the Parent Company is recognised separately at the acquisition cost as a reduction of the equity on the balance sheet. No result is recognised in the income statement for transactions capitalised with treasury stock.

Transaction costs related to own equity instruments are recognised as a reduction in reserves once any tax effect has been considered.

b) Capital increases by issuance of options convertible into own equity instruments

In order to obtain financing for its expansion plans, the Parent Company uses the share option issuance method (*equity warrants-EW*). A financial derivative is created if the fixed-for-fixed swap rule is not observed in accordance with the conditions of the options issue. The *fixed-for-fixed* swap rule is met if the only possible settlement of the instrument is by allocation of a fixed number of treasury stock shares for a fixed price.

Because it does not constitute hedging, the financial derivative that arises is recognised – at the time of its valuation at each accounting close – at its fair value in the income statement.

The fair value of the derivative is determined using option pricing models that take the life of the option, the market price of the underlying assets, the expected volatility of the shares and the risk-free interest rate during the life of the option into account.

Variations in the fair value of the derivative during its life (that is, from the date of signature to exercise of the option), are recognised in the consolidated financial statements as a financial cost/revenue. The derivative is written off the balance sheet on the conversion date of the options into shares and the cash received for the conversion – plus/minus the accumulated fair value of the derivative until that moment – is charged to capital and reserves (capital plus issue premium).

At the close of the financial year ended 31 December 2021 there are no options issues pending expiration and therefore there is no derivative recognised on the balance sheet on said date.

3.9 Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand bank deposits in credit institutions. Other highly-liquid short-term investments are also included under this head provided that they are easily convertible into specified amounts of cash and that their maturity time does not exceed three months.

The Group reports payments and receipts from high-turnover financial assets and liabilities for their net value in the Cash Flow Statement. For these purposes, the rotation period is considered high when the period between the acquisition and the expiration dates does not exceed six months.

3.10 Classification of assets and liabilities as current or non-current

The Group classifies assets and liabilities as current or non-current on the balance sheet. For these purposes, current assets or liabilities are those that meet the following criteria:

- Assets are classified as current when they are expected to be capitalised, are held for sale or consumption in the course of the normal operating cycle, are held fundamentally for trading purposes, are expected to be capitalised within twelve months after the closing date or are composed of cash and cash equivalents except in cases where they cannot be exchanged or used to settle a liability within at least the twelve months following the accounting closure date.

- Liabilities are classified as current when they are expected to be settled within the normal operating cycle, are held primarily for trading, must be settled within twelve months of the closing date or there is no unconditional right to postpone cancellation of the liabilities during the twelve months following the closing date.

- Financial liabilities are classified as current when they must be settled within the twelve months following the closing date even if the original term is for a longer period and there is a refinancing or restructuring agreement for long-term payments that has concluded after the closing date and before the annual financial statements are drawn up.

All other assets and liabilities that fail to meet the conditions set forth above are classified as “non-current”.

3.11 Subsidies, donations and bequests

Reimbursable grants are recognised as liabilities until they meet the conditions to be considered non-reimbursable, while non-reimbursable subsidies are recognised directly in equity as income on a systematic, rational basis in a manner correlated with expenses deriving from the subsidy. Non-refundable grants received from partners are recognised directly in equity.

For these purposes, a grant is considered non-refundable when there is an individualised agreement to grant the subsidy, all the conditions established for its award have been met and there are no reasonable doubts that it will be collected.

Monetary grants are valued at the fair value of the amount granted and non-monetary grants at the fair value of the asset received. These values are referenced to the recognition date.

Non-refundable grants related to the acquisition of intangible fixed assets, property, plant and equipment and real estate investments are charged as income for the year in proportion to the amortisation of the associated assets or, as appropriate, when they are disposed of, their value is restated due to impairment or they are written off the balance sheet. Non-refundable grants related to specific expenses and those granted to compensate for the operating deficit in the financial year in which they are granted are recognised in the income statement in the same year in which the associated expenses are accrued, except when they are used to compensate for operating deficits in future financial years, in which case they are allocated in said financial years.

3.12 Corporation tax

In view of the fact that the companies included within the consolidation perimeter are taxed individually for Corporation Tax, the consolidated tax expense is obtained by adding the expenses that the consolidated companies have estimated for said item corrected by the consolidation restatements. Said expenses are calculated on the companies’ individual economic results corrected by fiscal criteria and taking any applicable bonuses and deductions into account.

Therefore, the corporation tax expense (income) for the financial year is calculated as the current tax – calculated by applying the tax rate to the taxable base for the financial year – minus any rebates and deductions and the variations produced in the deferred tax assets and liabilities recognised during the financial year in question.

Corporation tax is recognised in the consolidated income statement except when it refers to transactions recognised directly in equity (in which case the associated tax is also recognised in equity) and in business combinations (in which case it is recognised in the same accounts the other assets of the acquired undertaking).

Deferred taxes are recognised for the temporary differences existing on the date of the consolidated balance sheet between the tax base of assets and liabilities and their book values. The taxable base of an asset is considered to be the amount attributed to it for tax purposes.

The tax effect of temporary differences is posted under the heads of "deferred tax assets" and "deferred tax liabilities" on the balance sheet.

Deferred tax liabilities are recognised for all taxable temporary differences except those derived from initial recognition of goodwill or other assets and liabilities in a transaction that does not affect fiscal or accounting outcomes and is not a business combination.

Deferred tax assets, on the other hand, are only recognised to the extent that it is considered probable that each individual company will have future taxable profits against which the deferred asset can be used.

The company assesses the recognised deferred tax assets and any that have not been previously recognised on the closing date of each financial year. On the basis of this assessment the company will then write off a previously-recognised asset if its recovery is no longer probable, or to enter any previously unrecognised deferred tax asset provided that it is probable that the company will have future taxable earnings against which it can be applied.

Deferred tax assets and liabilities are valued at the expected tax rates at the time of their reversal in accordance with the currently applicable regulations and with the manner in which the deferred tax asset or liability is rationally expected to be recovered or paid.

Deferred tax assets and liabilities originating in transactions with direct charges or credits in equity accounts are also accounted for with a balancing entry in consolidated net equity.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets and liabilities regardless of their expected capitalisation or settlement date.

3.13 Employee benefits

a) Severance payments

Severance payments are paid to employees as a result of Group management's decision to terminate their employment contracts before the normal retirement age. These benefits are recognised when a demonstrable commitment has been made to dismiss workers in accordance with a detailed regulatory plan of mandatory compliance. Benefits that will not be paid during the twelve months following the balance sheet date are discounted to their current value.

b) Payments based on equity instruments

Transactions which, in exchange for receiving goods or services including services provided by employees, are settled by the Company using treasury stock or with an amount based on the value of its treasury stock (such as share options or share appreciation rights) are considered to constitute payments based on equity instruments.

As at 31 December 2021 there are no incentive plans or remuneration policies for employees and/or directors the payment and settlement of which is performed using treasury stock.

c) Commitments to pay for retirement policies

One of the Group Companies makes periodic provisions charged to the outcome of the financial year to allocate the associated provisions in order to cover the payment commitments for retirement premiums (note 14.e). As at 31 December 2021 the provision provided for this item amounts to 29,756 euros and is recognised under the head of *Long-term provisions* in *Non-current liabilities*.

3.14 Provisions and contingencies

Provisions for responsibilities, restructuring costs and litigation are recognised when they arise from a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions for restructuring include penalties for cancellation of the lease and severance payments for employees. Provisions for future operating losses are not recognised.

Provisions are valued at the present value of the disbursements expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the specific risks of the obligation. The adjustments in the provision due to its updating are recognised as a financial expense as they accrue.

Provisions with an insignificant financial effect and a maturity period shorter than or equal to one year are not discounted.

When it is expected that part of the disbursement required to settle the provision will be paid by a third party, said reimbursement is recognised as an independent asset provided that receipt of the same is practically certain.

Potential obligations arising as a result of past events, the occurrence of which is conditioned by the occurrence or not of one or more future events beyond the Group's control, are considered to constitute contingent liabilities.

Said contingent liabilities are not subject to accounting recognition but details of the same are provided in the Management Report.

3.15 Recognition of revenue from the provision of services

Revenue from the provision of services is recognised at the fair value of the consideration to be received and represents the amounts to be received for services provided in the ordinary course of business minus returns, rebates, discounts and value-added tax.

Revenue is recognised when its value can be reliably measured, it is probable that future economic benefits will accrue to the Group and the specific conditions for each activity are met as set forth below. The amount of the income cannot be reliably valued until all contingencies related to the sale have been resolved. The Company bases its estimates on historical results, taking the type of client, the type of transaction and the specific terms of each agreement into account.

The Group recognises income derived from the sale of the right to use software (licensing) for biometric facial recognition technology once all the risks and benefits of the product have been transferred to the purchaser and the conditions set forth in the above paragraph have been met. It is then charged to the income statement on the basis of the licensing term (which may be in perpetuity or for periods defined in the contract). Income from services not yet provided is represented in the balance sheet as short-term accruals.

Income from maintenance and support services is recognised on the basis of accrual of the provision of the service.

3.16 Leases

When the Group is the lessee – Operating leases

Leases in which the lessor retains a significant proportion of the risks and benefits derived from ownership are classified as operating leases. Operating lease payments (net of any incentives received from the lessor) are charged to the income statement for the year in which they accrue on a straight-line basis over the lease period.

3.17 Foreign currency transactions

Transactions in foreign currency are converted into the functional currency using the exchange rates prevailing on the date of the transactions. Gains and losses in foreign currency that originate in settlement of these transactions and from the conversion at the cash exchange rates of the monetary assets and liabilities denominated in foreign currency at the end of the financial year are recognised in the income statement.

3.18 Equity items of an environmental nature

Assets used on a long-term basis in the Group's activities and the main purpose of which is to prevent, reduce or repair the damage that its activities may cause to the environment are considered to constitute assets of an environmental nature. Expenses deriving from environmental activities are recognised as *Other operating expenses* in the financial year in which they are incurred.

The directors consider that as at 31 December 2021 there are no contingencies of an environmental nature that could be significant in relation to the Group's equity, financial situation and consolidated results and therefore there are no provisions or contingencies entered under this head.

3.19 Balances and transactions with group companies and other related parties

The Group performs all its transactions with related parties at market values. The transfer prices are properly substantiated and therefore the Company's governing body considers that there are no significant risks from which substantial liabilities may arise in the future due to these transactions.

This valuation rule affects the related parties set forth in rule 15 on drafting of the annual financial statements of the Spanish General Accounting Plan. A party is considered to be related to another when one of them exercises or has the capacity to exercise – directly or indirectly or pursuant to pacts or agreements between shareholders or investors – control over the other or a significant influence over its financial and operating decisions as set forth in Rule 15 on drafting of annual financial statements.

In addition to the group, multi-group and associated enterprises, natural persons with the capacity to directly or indirectly influence the Company’s voting rights or those of its controlling interest such that enable them to exercise a significant influence over one or the other are deemed to constitute parties related to the Company, as are their close relations, key personnel in the Company or its controlling interest, among which the directors and senior managers and their close relations and entities over which the aforesaid persons could exercise a significant influence are also included.

4 Intangible fixed assets

The following are the breakdown and movement of the items included under the head of *Intangible fixed assets*:

(In Euros)

	Euros								
	Balance at 01.01.20	Addition for bus. comb	Additions	Disposals	Balance at 31.12.20	Addition for bus. comb	Additions	Disposals	Balance at 31.12.21
Cost:									
Research	56,958		---	---	56,958	---	---	---	56,958
Development	594,556		930,592	(594,556)	930,592	---	2,100,208	(2,983,775)	47,026
Intellectual property	11,378		43,070	---	54,447	---	11,544	---	65,992
Computer applications	2,425,098	2,054,150	314,779	594,556	5,388,582	---	135,791	2,983,775	8,508,148
Total Cost	**3,087,989**	**2,054,150**	**1,288,441**	**---**	**6,430,580**	**---**	**2,247,544**	**---**	**8,678,124**
Accumulated amortisation:									
Research	(56,958)		---	---	(56,958)	---	---	---	(56,958)
Development	---		---	---	---	---	(66,654)	64,584	(2,070)
Intellectual property	(1,245)		(2,888)	---	(4,133)	---	(9,471)	----	(3,604)
Computer applications	(1,419,222)	(78,061)	(813,764)	---	(2,311,047)	---	(1,134,829)	(64,584)	(3,510,460)
Total Accumulated Amortisation	**(1,477,425)**	**(78,061)**	**(816,652)**	**---**	**(2,372,138)**	**---**	**(1,210,954)**	**---**	**(3,583,092)**
Research	---				---				---
Development	594,556				930,592				44,956
Intellectual property	10,133				50,314				52,388
Computer applications	1,005,876				3,077,535				4,997,688
Net book value	**1,610,565**				**4,058,442**				**5,095,032**

Report on the Annual Financial Statements
As at 31 December 2021

(In Euros)

a) Development

The Company continues to implement its investment policy and to improve its current facial biometric applications. The capitalised expenses during the financial year ended 31 December 2021 and 2020 are associated with the following milestones:

	Euros	
Description: Project 2020	**12.2021**	**12.2020**
Improvements to Software Development Kit (SD	1,641,621	930,592
Platform as a service (PAAS)	458,588	---
Total	**2,100,209**	**930,592**

Said expenses are recognised under the head of Development since there are good reasons to foresee commercial success on completion. At this time they are reclassified under the head of Intangible assets in accordance with their nature (computer applications). If there were well-founded criteria to consider that the project was not completed successfully, the Group would write off these expenses and recognise them as losses in intangible fixed assets. Almost all the activity involved in development of new applications or improvements to current ones has been performed internally and recognised by capitalisation of production costs under the head of *Works performed by the company for its own assets* in the income statement.

As at 31 December 2021 the sum of 2,983,775 euros has been transferred to the *Computer applications* account as a consequence of the start of marketing of the facial biometric improvements and new products.

b) Intellectual property

FacePhi Biometría is the owner of the Selphi and FacePhi Beyond Biometrics trademarks. Said ownership grants protection of these trademarks in both the European Union (MUE 015106354 and MUE 015114853 respectively) and in the United States of America pursuant to trademarks registered with the USPTO (United States Patent and Trademark Office) by certificates no. 79190080 and 79190126.

European Union Trademark certificates with registration numbers MUE 017896710 LookΦ MUE 017948110 inPhinite; MUE 017948113 4Phingers; MUE 017948116 Phivox; MUE 017948119 SignPhi and EUTM 017948878 SelphID have also been obtained. Entry into force of Act 1/2020 of 20 February, the Business Secrets Act, determines a scenario where legal certainty regarding knowledge considered to constitute business secrets (algorithms, know-how, etc.) is greater than before and consequently provides stronger protection against potential breaches of business secrets.

The Company currently owns the property rights of the following registered trademarks that constitute assets:

• FACEPHI BEYOND BIOMETRICS	• PHIVOX
• SELPHI, YOU BLINK, YOU´RE IN	• SELPHI ID
• LOOK & PHI	• SIGNPHI
• INPHINITE	

FacePhi Biometría is the owner of the *Selphi You Blink you´re in* and *FacePhi Beyond Biometrics* trademarks (MUE 015106354 and MUE 015114853 respectively) in both the European Union and in the United States of America pursuant to trademarks registered with the USPTO (United States Patent and Trademark Office) by certificates no. 79190080 and 79190126.

(In Euros)

European Union trademark protection is also provided by European trademark certificates with registration numbers MUE 017896710 LookΦ MUE 017948110 inPhinite; MUE 017948113 4Phingers; MUE 017948116 Phivox; MUE 017948119 SignPhi and MUE 017948878 SelphID.

International expansion and the Parent Company's activity in LATAM has prompted the governing body to extend the geographical coverage of trademark protection. Consequently, the FacePhi Beyond Biometrics and SelphID Identity Validation trademarks are duly registered either as international trademarks with territorial designation or as domestic trademarks in all markets in which the Group carries out commercial activity in APAC, LATAM and EMEA.

Intellectual property rights

Entry into force of Act 1/2019 of 20 February, the Business Secrets Act, determines a scenario where legal certainty regarding knowledge considered to constitute business secrets (algorithms, know-how, etc.) is greater than before and consequently provides stronger protection against potential breaches of business secrets.

Notwithstanding, the legal doctrine and jurisprudence in the field agree that the application of the Act will not be really effective unless the companies are equipped with tools capable of configuring an environment of security, protection, reliability and traceability.

The Group has recently obtained the following technical certifications:

- The National Security Scheme (*Esquema Nacional de Seguridad* - ENS), initially designed for the field of Spanish e-government and now also applied to all service providers to public entities, lays down the security policy in the use of electronic media, the basic principles and minimum requirements for proper protection of information.
- ISO/IEC 30107-3: Level 1 and 2 - INTERNATIONAL LEVEL. This standard consists of a set of guidelines the purpose of which is to subject biometric technology to the most effective attacks possible in an attempt to break its security measures in order to assess the extent to which the application is reliable in the face of spoofing and phishing attacks.
- ISO 27001 - INTERNATIONAL LEVEL. The core mission of ISO 27001 is to protect the confidentiality, integrity and availability of the company's information. It does so by investigating issues that could potentially affect the information (i.e., risk assessment) and then determines what needs to be done to prevent these problems from occurring (i.e., risk mitigation or processing).

c) Computer applications

The Company, in accordance with the identifiability and separability criteria of intangible assets, transfers the production cost of internally-developed software improvements and utilities according to their nature (computer applications) that have entered the marketing phase for generation of income inherent in the activity.

The additions for the 2021 financial year include the sum of 100,000 euros (220,000 euros at 31 December 2020) for acquired software developments by one of the Group companies.

d) Fully amortised intangible fixed assets.

The Group held the following fully-amortised tangible fixed assets as at 31 December 2021 and 2020:

	Euros	
	2021	**2020**
Research	56,958	56,958
Computer applications	1,358,715	1,040,326
Total cost	**1,415,673**	**1,097,284**

e) Other information

The Company has not recognised subsidies in relation to intangible assets during the financial year ended on 31 December 2021. However, in the 2018 financial year it recognised subsidies for capitalised R&D expenses for the sum of 113,945 euros (see Note 11.2).

As at 31 December 2021 and 2020, the Company has no firm intangible asset investment or sale commitments to third parties.

No financial expenses have been capitalised and there are no intangible fixed assets in foreign countries. All intangible fixed assets are subject to operating conditions and are not affected by encumbrances or liens. Neither has the Company made or reversed value restatements for impairment of any item of its intangible fixed assets.

f) Non-current asset impairment test

The recoverable value of non-current assets has been assessed by considering the Parent Company as a single cash-generating unit by estimating their value in use using cash-flow projections based on the business plan and estimates made by management for the next 5 years. The discount rate applied to the cash flow projections was 7.5% and the cash flows after the five-year period are extrapolated using a growth rate of 2%. No impairment has been detected in the value of the assets.

Key assumptions for calculating value in use

Calculation of value in use was based on the following hypotheses:

- The Group sets a prudent course based on information from the biometrics sector to maintain a growth rate of 15% for the financial projection period (2022-2026) and of 2% per annum as at 2027. The Company continues to invest in human resources aimed at the sales and marketing activity and developing the business in countries where it already operates and by opening new offices and developing sales channels that will enable it to increase its turnover.
- EBITDA. EBITDA: the Company estimates that its EBITDA will undergo a progressive increase, obtaining new contracts and optimising its human resource structure.
- Discount rate. A WACC in accordance with that calculated by analysts who follow the Parent Company has been used.
- CAPEX. CAPEX: the Company estimates that its investments in intangible assets, mainly for development of and improvements to its technology, will continue to grow in line with the growth in turnover and the human resource structure.

Sensitivity to changes in hypotheses

In view of the differences between the book values of the Company's net assets under analysis and their value in use, Management considers it highly unlikely that any reasonably predictable or probable variation in any of the hypotheses set forth above (e.g., a 1% increase in WACC and/or 1% decrease in the growth rate) would mean that the book value of the assets would exceed their recoverable value.

5. Tangible fixed assets

(In Euros)

The following is the breakdown and movement of the items that comprise intangible fixed assets:

	Balance at 01.01.2020	Addition for bus. combs	Additions	Disposals	Balance at 31.12.20	Addition for bus. combs	Additions	Disposals	Balance at 31.12.21
Cost:									
Technical facilities	---	---	1,347	---	1,347	---	---	---	1,347
Other facilities	3,366	---	28,801	---	32,167	---	---	---	32,167
Furnishings	37,898	---	37,088	---	74,986	---	8,094	---	83,080
Information processing equipment	37,690	10,040	91,332	---	139,062	3,081	295,938	---	438,081
Other tangible fixed assets	4,498	---	4,715	---	9,213	---	---	---	9,213
Total cost	**83,451**	**10,040**	**163,283**	**---**	**256,773**	**3,081**	**304,032**	**---**	**563,887**
Accumulated amortisation:									
Other facilities	(1,831)	---	(1,797)	---	(3,628)	---	(3,217)	---	(6,845)
Furnishings	(17,184)	---	(4,896)	---	(22,079)	---	(6,705)	---	(28,784)
Information processing equipment	(23,023)	---	(15,280)	---	(38,303)	(700)	(62,604)	---	(101,606)
Other tangible fixed assets	(2,430)	---	(1,008)	---	(3,438)	---	(1,150)	---	(4,587)
Total accumulated amortisation	**(44,468)**	**---**	**(22,980)**	**---**	**(67,448)**	**(700)**	**(73,675)**	**---**	**(141,823)**
Technical facilities	---				1,347				1,347
Other facilities	1,535				28,538				25,322
Furnishings	20,714				52,906				54,296
Information processing equipment	14,666				100,759				336,475
Other tangible fixed assets	2,068				5,775				4,625
Net book value	**38,983**				**189,325**				**422,064**

Additions for investments in tangible fixed assets during the 2021 financial year mainly involve information technology equipment for newly recruited personnel.

The main additions in 2020 were for furnishings and other facilities, including computer equipment, associated with expansion of the offices (Note 6).

a) Fully amortised assets

As at 31 December 2021 there is fully depreciated property, plant and equipment for the sum of 27,848 euros (12,387 euros in the 2020 financial year).

b) Insurance:

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

c) Other information

(In Euros)

No financial expenses have been capitalised, there are no encumbrances or liens on tangible fixed assets and none of them are in foreign countries. Neither has the Group made or reversed value restatements for impairment of any item of its intangible fixed assets.

As at 31 December 2021 and 2020 there are no firm purchase or sale commitments for property, plant and equipment.

The Parent Company has, however, entered into a contract for the sum of 80,000 euros with an architectural firm draw up the plans for refurbishment of the Company's new offices, which are expected to be finished by 31 December 2022.

6. Leases and other transactions of a similar nature

The following is the sum of the minimum future payments for non-cancellable operating leases:

The following is the sum of the minimum future payments for non-cancellable operating leases:

Minimum future payments	Facephi		Rest of Group	
	2021	2020	2021	2020
Up to one year	101,738	117,886	23,400	---
Between one and five years	20,109	101,447	---	---
More than five years	---	---	---	---
Total	**121,848**	**219,334**	**23,400**	**---**

The most significant features of the leasing contracts are the following lease payments recognised as expenses for the financial year in question:

Description of the lease	Expense in finan. yr. 2021	Expense in finan. yr. 2020	Due date	Renewal	Price update criteria
Offices, garages and storage	102,205	61,740	06/06/2025	N/A	YES (CPI)
Computer hardware	833	763	21/05/2024	N/A	NO
Computer hardware	2,026	3,416	18/06/2022	N/A	NO
Computer hardware	825	720	18/06/2023	N/A	NO
Vehicles	16,439	17,948	03/01/2022	N/A	NO
Vehicles	46,446	63,026	08/01/2023	N/A	NO
Total	**168,774**	**147,614**			

In 2017 the Parent Company entered into two operating leasing contracts for vehicles initially intended for use by members of the Board of Directors. The monthly fee amounts to 1,256 euros per vehicle and expires on 3 January 2022. Both contracts were classified as operating leases due to the fact that exercising the purchase option at maturity was not considered at the time of initial recognition. One of the contracts was cancelled early on 18 March 2020 by means of subrogation by a third party. Moreover, on 8 January 2020, the Company entered into two operating leasing contracts for vehicles intended for use of members of the Board of Directors. The monthly fee amounts to 2,223 euros per vehicle and expires in 3 years. On 5 October 2021, one of the two vehicles was subleased to a third party for a fee of 2,223 euros per month for a period of 15 months.

(In Euros)

Since 1 October 2017, the Parent Company has maintained an operating lease contract for the offices in which the Parent Company has been conducting its activity. This contract is for a term of five years and the rent is 2,800 euros per month. Two months' prior notice and compensation of three months' rental payment are required for early cancellation. The Company has placed a rental bond of 5,400 euros.

In order to extend its current corporate head office, in the first half of 2020 the Company entered into a new lease contract with a term of five years and monthly rent of 2,493 euros. This contract may be cancelled with three months' prior notice and compensation of three month's rental payment after the first three years. The Company has placed a rental bond of 4,986 euros.

7. Information on the nature and risk level of financial instruments

Risk management is aimed at establishing the required mechanisms to control the Group's exposure to different types of risk: market risk (including exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. Risk management is monitored by the Board of Directors of the Parent Company with the support of the Management Control Departments.

Credit risk

Credit risk arises from potential losses caused by infringement of contractual obligations by the Group's counterparties, i.e., by failure to collect financial assets in compliance with the established amounts and timeframes. The Company only works with banks and financial institutions of recognised prestige and solvency.

Due to their excellent credit standing, the Group's main debtors do not pose specific credit risks of cancellation of the balances pending collection at the end of the financial year. The following is the breakdown by seniority of the trade debtors and other accounts receivable as at 31 December:

	2021	2020
Long-term debts not due	1,024,419	---
Short-term debts not due	7,323,333	4,132,690
Past due but not doubtful	685,990	20,641
Doubtful	1,177,596	1,102,302
	10,211,338	5,255,632
Restatements due to impairment (note 9.3)	(1,177,596)	(1,102,302)
Total	9,033,742	4,153,331

Liquidity risk

Prudent management of liquidity risk entails maintaining sufficient cash and highly-liquid securities, the availability of financing through a sufficient number of committed credit facilities and the ability to liquidate market positions. Liquidity risk is considered sufficiently mitigated by the expansion of our credit lines with financial institutions (note 12) and the convertible debt issuance financing agreements entered into with the investment fund Nice & Green, S.A. (hereinafter "Nice & Green") (see note 11).

Market-related financial risks

a. Interest rate risk

The interest rate risk arises from long-term borrowings. Borrowing resources issued at variable rates exposes the Group to the cash flow interest rate risk. Borrowing at fixed interest rates exposes the Company to fair value interest rate risk.

(In Euros)

b. Exchange rate risk

The Company operates internationally and is therefore exposed to exchange rate risks due to its foreign currency transactions. The exchange rate risk arises from recognised assets and liabilities. The breakdown of financial assets and liabilities and transactions denominated in foreign currency is reported in Note 14.

The Group's financial management cannot predict the effects of exchange rates on future operating results due to the potential volatility of the foreign exchange markets. The Company does not currently use hedging derivatives to hedge its exposure to other currencies.

c. Interest rate risk on cash flows

Income and cash flows from operating activities are for the most part independent of changes in market interest rates.

There are no significant interest rate risks for the Group's cash flows.

d. Price risks

There are no significant price risks.

Fair value estimate

The Group assumes that the book value of credits and debits for trade transactions is close to fair value. The fair value of financial liabilities for financial reporting purposes is estimated by discounting future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

8. Financial investments in Group companies

8.1 Equity instruments in group companies

The following is the information on the Group companies as at 31 December 2020:

Celmuy Trading, S.A.

On 25 April 2021, the Company acquired a 100% holding in the share capital of Celmuy Trading S.A. for an amount equivalent to its nominal value of 10,000 pesos, the equivalent to 188 euros valued at the exchange rate on the date of the transaction. As set forth in note 1, this company has been excluded from the consolidation perimeter.

9. Financial assets

9.1 Analysis by category

The following table shows the book value of each category of financial instrument provided for in the standard for recognition and valuation of financial instruments except for balances with government agencies (Note 13):

	Euros	
	Credits, derivatives and others	
	short-term	long-term

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(In Euros)

	2021	2020	2021	2020
Assets at cost				
Equity instruments (Note 9.3)	---	---	125,063	125,063
Assets at amortised cost				
Trade debtors and other accounts receivable (Note 9.3) (*)	8,009,335	4,253,331	1,024,419	---
Loans to personnel	100	400	1,700	4,100
Other financial assets (Note 9.3)	44,207	513,377	117,424	21,547
TOTAL	**8,053,642**	**4,767,108**	**1,268,606**	**150,709**

(*) Does not include balances with government agencies.

There are no significant differences between the book value and the fair value of financial assets recognised at cost or amortised cost.

9.2 Analysis by maturity

The following are the amounts of the financial asset instruments with a specific or determinable maturity classified by year of maturity as at 31 December2021:

	Financial assets					
	2022	2023	2024	2025	Subsequent years	Total
Financial asset						
Equity instruments	---	---	---	---	125,063	125,063
Trade debtors and accounts receivable	8,009,335	1,024,419	---	---	---	9,033,754
Other financial assets (*)	44,307	10,100	---	79,315	29,709	163,431
	8,053,642	**1,034,519**	**---**	**79,315**	**154,772**	**9,322,248**

(*) Does not include balances with government agencies (note 13).

The following are the amounts of the financial asset instruments with a specific or determinable maturity classified by year of maturity as at 31 December2020:

	Financial assets					
	2021	2022	2023	2024	Subsequent years	Total
Financial asset						
Equity instruments	---	---	---	---	125,063	125,063
Trade debtors and accounts receivable	4,253,731	---	---	---	---	4,253,431
Other financial assets (*)	513,377	18,960	1,700	---	4,986	539,023
	4,767,108	**18,960**	**1,700**	**---**	**130,049**	**4,917,517**

(*) Does not include balances with government agencies (note 13).

9.3 Loans and accounts receivable

	Euros	
	2021	2020
Long-term loans and accounts receivable:		
Equity instruments	125,063	125,063
Loans to personnel	1,700	4,100
Other financial assets	117,424	21,547
	244,187	**150,709**

(In Euros)

Long-term trade credits	**1,024,419**	**---**
Short-term loans and accounts receivable:		
Loans to personnel	2,600	2,400
Other financial assets	41,607	510,977
	44,207	**513,377**
Trade debtors and other short-term accounts receivable:		
Clients for the provision of services	9,187,661	5,255,632
Impairment of the value of credits due to trade transactions	(1,177,596)	(1,102,302)
Group company debtors (note 16)	---	100,000
Sundry debtors	12	300
Advances to personnel	---	100
Other credits with government agencies (Note 13.1)	426,396	142,893
	8,436,473	**4,396,624**

The Group maintains collection conditions with its clients for a period of up to one year. Therefore, as at 31 December 2021, a significant percentage of the balance corresponds to trade credits originating in the previous year.

The balance recognised under the head of *Long-term trade receivables* includes 529,349 euros for invoices due in 2023 and 495,070 euros for accrued sales that will be invoiced in the same year, all on account of licensing and technology assignment agreements entered into with customers.

Impairment of trade credits

The following are the movements of provisions for impairment:

	Euros	
	2021	2020
Initial balance	**1,102,302**	**749,097**
Provision for impairment of accounts receivable	75,294	353,205
Reversal of unused amounts	---	---
Final balance	**1,177,596**	**1,102,302**

Investment in long-term equity instruments

On 21 December 2020, the Group called 125,000 shares with a par value of 1 euro representing 21.04% of the share capital of Ama Movie, A.I.E. (the group). This entity was incorporated for an indefinite period on 15 March 2018. It is domiciled in Madrid and its tax I.D number is V-88067806. Its corporate purpose is the production, edition, distribution and marketing of theatrical, cinematographic and audio-visual productions.

In view of the fact that the control and significant influence requirements applicable to associated and multi-group companies are not met by said investment despite holding more than 20% of the voting rights, in view of the impossibility of intervening in the group's financial and operating policy decisions, the governing body has classified it as an equity instrument valued at cost.

Other short and long-term financial assets

As at 31 December 2021 the *Other long-term financial assets* account includes the rental bonds for the offices for the sum of 13,386 euros and 74,329 euros as the final contract award good faith bond placed with AENA for supply and upgrading of a biometric facial recognition system.

Moreover, *Other short-term financial assets* account includes the sum of 8,829 euros for a fixed-term deposit (F.T.D.) of $US 10,000 with maturity on 14 February 2022 as a guarantee placed with one of its customers. There is also 31,344 euros remaining of a fixed-term deposit for the sum of 35,500 euros with a maturity date not liable to tacit renewal of 8 July 2022 placed as a performance bond with one of its customers for provision of software licensing, support and upgrading services.

(In Euros)

Moreover, at the end of the previous financial year the sum of 448,195 euros was recognised for a F.T.D. of 550 thousand USD executed on 1 March 2018 and which is pledged as collateral for a loan at a variable interest rate under the agreement with the European Investment Fund with a limit of 1,000,000 euros (see Note 12.3.a). The term to maturity of this F.T.D. was 3 years at an interest rate of 0.05%, for which reason it was cancelled on the maturity date.

10 Cash and cash equivalents

The following breakdown shows the movements in the cash and cash equivalents account as at 31 December 202:

	Euros	
	2021	**2020**
Cash, euros	1,424	101
Cash, foreign currency	---	2,076
Banks and credit inst. demand c/c, euros	982,149	3,356,581
Banks and credit inst. demand f.c. (note 14.g)	713,755	2,620,556
Total	**1,697,327**	**5,979,705**

The treasury account under *Banks and financial institutions* includes an entry of 355,264 euros (412,346 euros at 31 December 2020) for financial deposits in the trading and settlement entities of Euronext and BME Growth securities respectively, the funds of which are not freely available to the Company unless the liquidity provider estimates that the cash or shares at its disposal are excessive.

Except for those mentioned above, at the close of the financial year there are no restrictions on the availability of the balances in demand current accounts.

Previously, as a result of the financial restructuring agreement entered into on 14 December 2020, the Parent Company had established a pledge right over the current accounts and other available liquid assets for the sum of 2,244,829 euros (see Note 12.3.a).

11. Net equity

The attached statement of changes in net equity shows the breakdown and movement of the various accounts under the head of Net Equity during the financial periods ended on 31 December 2020.

11.1 Capital and reserves

a) Share capital and issue premium

The following is the composition of the Company's share capital and share premium as at 31 December 2021 and 2020:

	2021		2020	
	Capital	**Issue premium**	**Capital**	**Issue premium**
Authorised	605,373	10,074,525	577,141	7,222,153
	605,373	**10,074,525**	**577,141**	**7,222,153**

The following is a breakdown of movements of share capital and share premium recognised as at 31 December 2021 and 2020:

(In Euros)

	Number of shares	Par value	Share capital	Issue premium
Initial balance as at 1 January 2021	**14,428,519**	**0.04**	**577,141**	**7,222,153**
Capital increase 25.03.2021	237,456	0.04	9,498	1,011,551
Capital increase 29.04.2021	281,001	0.04	11,240	1,138,281
Capital increase 01.06.2021	187,346	0.04	7,494	702,540
Closing balance as at 31 December 2021	**15,134,322**	**0.04**	**605,373**	**10,074,525**

	Number of shares	Par value	Share capital	Issue premium
Opening balance as at 1 January 2020	**13,569,139**	**0.04**	**542,768**	**2,812,602**
Capital increase 01.04.2020	252,780	0.04	10,111	952,979
Capital increase 30.04.2020	106,886	0.04	4,275	555,810
Capital increase 27.07.2020	231,393	0.04	9,256	1,292,334
Capital increase 07.10.2020	170,182	0.04	6,807	986,222
Capital increase 15.10.2020	98,139	0.04	3,926	622,206
Balance at 31 December 2020	**14,428,519**	**0.04**	**577,141**	**7,222,153**

On 14 December 2020 the Company entered into a new financing agreement with similar conditions and features as the previous one with Nice & Green S.A., for which reason the Extraordinary General Meeting held on 25 January 2021 agreed, in compliance with article 297.1.b of the Corporate Enterprises Act (LSC) to delegate powers to the Board of Directors to issue equity warrants (EW) convertible into shares of the Company for a maximum conversion sum of 20 million euros and to increase the share capital by the amount required to address conversion of said warrants. In accordance with art 417 of the LSC, the pre-emptive subscription rights were disabled for this transaction since the only recipient of the issue was Nice & Green S.A. Said delegated power was limited by the condition that the total amount of the increases in share capital agreed on one or more occasions may not exceed the equivalent of half of the share capital at the time, i.e. 288,570.38 euros, under any circumstances.

The price of conversion into shares considered in the financing agreement may not be lower than 130% of the nominal value of the Parent Company's shares, i.e., at a lower price per equity warrant than 0.052 euros, or higher than the conversion price resulting from 92% of the lowest weighted average price during the six trading days prior to the date on which the conversion right is exercised. The investment commitment will end on 31 December 2022.

The funds obtained will be used to boost the organic growth the Company is experiencing in areas such as Latin America, the United States and Asia, among others, and to drive its international expansion, reinforce and enlarge the workforce in the search for excellence and commitment to achieving the Parent Company’s goals and thus foster product excellence in response to an increasingly demanding market.

a.1) Share capital and share premium formalised during 2021

The Board of Directors, in exercise of the power set forth above, issued the following capital increase transactions during the 2021 financial year and converted the E.W. into shares:

Issuance of equity warrants in February 2021

Under the aforesaid delegation by the Extraordinary General Meeting, on 15 February 2021 the Board of Directors adopted a resolution to conduct a first issue of 48,076,923 equity warrants convertible to Company shares for a maximum of 2,500,000 euros (the (February 2021) Equity Warrants). The only recipient of the (February 2021) Equity Warrants was Nice & Green.

On 18 February 2021 Nice & Green communicated their intention to exercise the right to convert the EW to shares and paid 850,000 euros in cash for conversion of 237,456 EW into the same number of new shares with a par value of 0.04 euros each. The EW exercise price was 3.5796 euros, which represents an effective amount of 849,997.4976 euros. Consequently, the new shares had an issue premium of 3.5396 euros per share and a par value of 0.04 euros, which means that the issue premium and par value contributed capital increases of 840,499.2576 euros and 9,498.24 euros, respectively.

Finally, the associated capital conversion and increase was formalised on 25 March 2021 pursuant to an instrument executed before the notary public of Castilla-La Mancha Iván Castejón Fernández-Trujillo under number 215 of his journal record and registered in the Companies Registry of Alicante on 27 April 2021.

On 6 February 2021 Nice & Green communicated their intention to exercise the right to convert the EW to shares and paid 500,000 euros in cash for conversion of 143,872 EW into the same number of new shares with a par value of 0.04 euros each. The EW exercise price was 3.4753 euros, which represents an effective amount of 499,994.89 euros. Consequently, the new shares had an issue premium of 3.4353 euros per share and a par value of 0.04 euros, which means that the issue premium and par value contributed capital increases of 494,240.05 euros and 5,754.84 euros, respectively.

On 21 February 2021 Nice & Green communicated their intention to exercise the right to convert the EW to shares and paid 500,000 euros in cash for conversion of 137,129 EW into the same number of new shares with a par value of 0.04 euros each. The EW exercise price was 3.6462 euros, which represents an effective amount of 499,992.47 euros. Consequently, the new shares had an issue premium of 3.6062 euros per share and a par value of 0.04 euros, which means that the issue premium and par value contributed capital increases of 494,507.39 euros and 5,485.08 euros, respectively.

Finally, the conversion to shares with the consequent increase in the share capital by issue of 281,001 new shares with a par value of 0.04 euro per share was formally executed on 29 October 2021 in an instrument executed before the notary public of Castilla-La Mancha Ignacio Javier Torres López under number 366 of his journal record. The conversion price of the first 143,872 EW was 3.4753 euros and 3.6462 for the remaining 137,129, which represents an effective total capital increase of 999,998.12 euros, of which the issue premium accounts for 988,758.08 euros and share capital 11,240.04 euros. This capital increase was registered with the Companies Registry of Alicante on 5 July 2021.

On 19 February 2021 Nice & Green communicated their intention to exercise the right to convert the EW to shares and paid 650,000 euros in cash for conversion of 187,346 EW into the same number of new shares with a par value of 0.04 euros each. The EW exercise price was 3.4695 euros, which represents an effective amount of 649,997 euros. Consequently, the new shares had an issue premium of 3.4295 euros per share and a par value of 0.04 euros, which means that the issue premium and par value contributed capital increases of 642,503.107 euros and 7,493.841 euros, respectively.

Finally, the associated capital conversion and increase was formalised on 1 June 2021 pursuant to an instrument executed before the notary public of Castilla-La Mancha Iván

(In Euros)

Castejón Fernández-Trujillo under number 484 of his journal record and registered in the Companies Registry of Alicante on 6 August 2021.

The effect of the aforesaid issues of convertible EW and their conversion into own equity instruments on the income statement and net equity as at 30 June 2021

Since the fixed-for-fixed swap rule was not met in accordance with the valuation criteria and standards set forth in note 3.7.b, according to the EW issuance conditions, a financial derivative is created during the life of the warrant issue until the time it is converted into shares.

Variations in the fair value of the derivative during its life (that is, from the signature date to exercise of the option) have been recognised for a total amount of 380,604 euros under the head of *16. Variation in the fair value of financial instruments* of the income statement as at 31 December 2021 as a financial cost and recognised as a balancing entry in equity as a higher share premium equivalent to the sum of the cash received for the conversion, minus the fair value accumulated by the derivative until that moment as set forth in the following breakdown:

	Number of shares	Conversion price	Fair value	Share premium/cost
Capital increase 25.03.2021	237,456	3.5796	4.2999	171,052
Capital increase 29.04.2021	281,001	3.5586	4.0908	149,523
Capital increase 01.06.2021	187,346	3.4695	3.7899	60,037
				380,611

a.2) Share capital and share premium formalised in previous financial years

The conditions of the share capital issues executed and formalised in previous financial years and performed pursuant to the financing framework agreement entered into on 16 September 2019 with Nice & Green S.A. were reported in detail in the reports to the Company's individual annual financial statements for the relevant financial years. Section a.1) above also contains a breakdown of the impact of the share issues and capital increases in the 2021 and 2020 financial years on net equity.

a.3) Significant holdings

Pursuant to Article 228 of the Consolidated Text of the Securities Market Act adopted by Royal Legislative Decree 4/2015 of 23 October and to Circular 3/2020 of BME Growth, as at 31 December 2021, the following shareholders held a percentage of the Company's share capital equal to or greater than 5%:

	% 12.2021	% 12.2020
Salvador Martí Varó	8.69	9.13
Javier Mira Miró (*)	7.46	7.82
Juan Alfonso Ortiz Company (**)	7.66	8.50
José Cristobal Callado Solana	6.10	---

(*) There are packages of 141,470 and 35,196 shares loaned as collateral to Nice & Green according to a relevant fact published on 18 September 2019 and propriety information published on 15 December 2020, respectively.

(**) There are packages of 150,586 and 26,080 shares loaned as collateral to Nice & Green according to a relevant fact published on 18 September 2019 and propriety information published on 15 December 2020, respectively.

(In Euros)

On 29 March 2021, a significant event was reported to BME Growth that certain members of the Board of Directors have lent 61,276 shares to Nice & Green in addition to those assigned under the previous investment agreement. Thus, a total of 176,666 shares were assigned by each of the three directors as provided for in the second Investment Agreement.

All shares issued are fully paid up. There are no restrictions on free transfer of the shares except for those lent to Nice & Green as a surety.

b) Treasury stock

The total amount of treasury stock held at 31 December 2021 is 556,510 euros (341,760 euros at 31 December 2020) represented by 126,903 shares (60,129 shares at the end of the previous financial year), the equivalent of 0.84% (0.42% in 2020) of the Company's share capital. This is well below the maximum limit of 10% provided for in article 509 of the Corporate Enterprises Act.

On 27 February 2020, the General Meeting approved a motion to authorise the Board of Directors to acquire treasury stock in the following terms:

- For a maximum of five (5) years from adoption of the agreement.
- Up to a maximum of 10% of the share capital.

When the shares are acquired for a consideration the price may vary by +/- 10% of the market value on the acquisition date.

The following are the share movements during the 2021 financial year:

	2020	Acquisitions	Disposals	2021
Cost of treasury stock	341,760	585,934	(371,184)	556,510

Treasury shares were sold during the 2021 financial year for a consideration amounting to 73, 670 euros (a gain of 235,063 euros as at 31 December 2020) recognised against Voluntary Reserves.

The following are the share movements during the 2020 financial year:

	2019	Acquisitions	Disposals	Disposals for Business Combinations	2020
Cost of treasury stock	240,354	1,757,521	(556,294)	(1,099,822)	341,760

The sum of 1,099,822 euros identified as disposal of treasury stock refers to transfer of the package of shares required for payment of the debt of 840,001 euros derived from the sale of the shares of Ecertic Digital Solutions, S.L. (see note 8).

Treasury shares were sold during the 2020 financial year for a consideration amounting to 235,063 euros that was recognised against *Voluntary Reserves*.

c) Parent Company's Reserves

The following is the breakdown of reserves at the end of the financial year:

	Euros	
	2021	**2020**
Legal reserve	108,553	108,553

(In Euros)

Voluntary Reserve	953,620	1,100,415
Losses from previous financial years	(1,682,335)	---
	620,162	**1,208,968**

d) Legal reserve

In accordance with the provisions of article 274 of the Corporate Enterprises Act, companies that obtain liquid profits net of taxes during the financial year shall be obliged to allocate 10% of said profit to a reserve fund that shall reach an amount equal to at least one fifth of the share capital. This reserve may only be used to cover a debit balance on the income statement (if any) and must be replenished when it falls below the stipulated level.

e) Voluntary reserves

Voluntary reserves as at 31 December 2021 and 2020 include profits from previous years that were not distributed or allocated to mandatory reserves.

These reserves are freely available.

As set forth in the attached Statement of Changes in Net Equity, during the 2021 financial year, an amount of 73,125 euros (126,682 euros in previous years) net of taxes has been recognised against these reserves for the cost of issuance and expenses incurred as a result of the capital increases carried out during the year. An additional amount of 73,670 euros (235,063 euros in profits during the 2020 financial year) for the results obtained from the treasury stock sale-purchase transactions (see Note 11.1.b).

f) Reserves in consolidated companies

In accordance with the criteria set forth in note 3.1, this entry in *Capital and Reserves* on the consolidated balance sheet represents undistributed profits generated by the subsidiaries from the date of their incorporation into the Group. As at 31 December 2021 and 2020

	Euros	
	2021	**2020**
By full consolidation:		
Ecertic Digital Solutions, S.L.	172,265	---
Facephi Apac	194,553	---
Total	**366,818**	**---**

g) Contribution to consolidated outcome

The following table shows the contribution of each company in the consolidation perimeter to the consolidated outcome:

Subsidiary	Profit/(Loss) 2021	Profit/(Loss) 2020
Facephi-Parent company	(158,993)	(1,682,335)
Ecertic-Subsidiary	(85,330)	62,289
Facephi APAC – Subsidiary	48,351	---
Consolidation restatements	(357,932)	(234,554)
Total consolidated outcome (profit)	**(553,904)**	**(1,854,600)**

11.2. Restatement for value changes - conversion differences

In compliance with the conversion criteria for annual financial statements of foreign companies that use a functional currency other than the euro set forth in note 3.1, the Group has recognised a negative conversion difference amounting to 3,335 euros net of the associated tax effect on the Consolidated Balance Sheet in Net Equity. Said amount represents the difference between the amount of the net equity of Facephi Apac – which has consolidated its financial statements for the first time – converted at the historical exchange rate and the net equity position deriving from the conversion of assets, rights and obligations at the closing exchange rate of all local currencies in which each component of the Group operates.

(In Euros)

The following is the breakdown of transactions carried out with related parties during the 2021 and 2020 financial years:

	Euros	
	2021	**2020**
Balance at start of financial year	**---**	---
Variation in equity for conversion differences	(3,335)	---
Profit (loss) at end of financial year	**(3,335)**	**---**

11.3. Subsidies

The following are the amounts and features of the subsidies that appear on the balance sheet as at 31 December 2020 under the head of *Subsidies, donations and bequests* and movements during this and the previous financial year:

Fin. year ended 31 December 2021

Granting body	Year granted	Amount granted	Rest pend. amort. 31.12.20	Additions for bus. comb.	Additions for finan. yr	Transferred to 2021 profit (loss)	Tax effect	Rest pend. amort. 31.12.21
Europe (H2020)	2016	1,692,600	116,294	---	---	(67,063)	16,766	65,997
CDTI	2018	180,390	88,826	---	---	(36,456)	9,114	61,484
		1,872,990	**205,120**	**---**	**---**	**(103,519)**	**25,880**	**127,480**

Finan. yr. ended 31 December 2020

Granting body	Year granted	Amount granted	Rest pend. amort. at 01.01.20	Additions for bus. comb.	Additions for finan. yr	Transferred to 2020 profit (loss)	Tax effect	Rest pend. amort. 31.12.20
Europe (H2020)	2016	1,692,600	166,592	---	---	(67,063)	16,766	116,294
CDTI	2018	180,390	---	75,501	39,667	(36,456)	9,114	88,826
		1,872,990	**166,592**	**75,501**	**39,667**	**(103,519)**	**25,880**	**205,120**

H2020 is the largest European funding programme for research and innovation projects. It has a total budget of roughly 80,000 million euros for the 2014 to 2020 period. The *SME Instrument* program has been specifically designed to promote highly-innovative SMEs with a great ambition for growth and international projection in order to boost their success in the market.

In 2016, the Parent Company entered into an agreement with the European Commission to obtain aid to finance investment in development over a period of 2 years in the execution of a project identified as *Facial Recognition in bank security FACCES*.

This agreement contained a clause whereby the subsidy would be awarded for a maximum of 1,692,600 euros, the equivalent of 70% of the development budget of 2,418,000 euros.

The associated costs incurred with the eligible project, on the one hand, corresponded to R&D personnel costs that were capitalised in intangible assets and, on the other, to operating costs.

(In Euros)

Therefore the subsidy has a component of capital and another of operations which was distributed between the two in proportions of 19.81% and 80.19% respectively in accordance with the costs incurred by the Parent Company in previous years.

Furthermore, the Parent Company recognised grants for a net amount of 116,168 euros, as a result of a grant awarded in 2018 for a gross amount 180,390 euros to finance the project to develop a platform for accreditation of digital identity using biometric technology in financial 2020 made possible by acquisition of the subsidiary Ecertic Digital Solutions, S.L.U., (note 4.d).

The Company received the following subsidies in the 2021 financial year:

- On 27 January 2021, the Valencian Institute of Business Competitiveness (IVACE) approved a subsidy for *Digitisation Projects in SMEs (Digitaliza-CV Teletrabajo)* for eligible costs totalling 67,523 euros and a grant of 27,009 euros. Due to the fact that the Company has already complied with the eligible expenses investment commitment, said subsidy has been fully allocated under the head of *Other operating revenue* on the attached income statement.
- On 30 November 2021, the Valencian Institute of Business Competitiveness (IVACE) approved a subsidy for *SME Innovation Projects*. *Innovation in Electronic, Information and Communication Technologies (EICTs)* 2021 for an eligible cost of 162,500 euros and a subsidy of 70,663 euros. The eligible expenses period runs from 1 January 2021 to 30 June 2022. Subsequently, on 25 February 2022, the IVACE notified the grantee of extension of the execution period until 31 December2022. As at 31 December 2021 the Company's management considers that it complies with the investment activity deadlines. Nevertheless, the entire project will be executed in 2022 and for that reason the subsidy has been recognised under *Short-term debt convertible into subsidies* (Note 12.b).
- On 23 December 2021, the Valencian Institute of Business Competitiveness (IVACE) approved a subsidy for *R&D projects in Cooperation (PIDCOP-CV) 2021* for eligible costs totalling 235,615 euros and a grant of 141,369 euros. The eligible expenses period runs from 11 March 2021 to 30 June 2022. Subsequently, on 25 February 2022, the IVACE notified the grantee of extension of the execution period until 31 December 2022. As at 31 December 2021 the Company's management considers that it complies with the investment activity deadlines. Nevertheless, the entire project will be executed in 2022 and for that reason the subsidy has been recognised under *Short-term debt convertible into subsidies* (Note 12.b).

12. Financial liabilities

12.1 Analysis by category

The following table shows the book value of each category of financial instrument provided for in the rules for recognition and valuation of financial instruments except for balances with government agencies (Note 13):

	Euros			
	Long-term financial liabilities			
At amortised cost:	Debts with credit inst.		Derivatives Others	
	2021	2020	2021	2020
Debits and accounts payable (Note 12.3)	5,041,251	6,054,477	---	---
TOTAL	**5,041,251**	**6,054,477**	**---**	**---**

	Euros			
	Short-term financial liabilities			
At amortised cost:	Debts with credit inst.		Derivatives Others	
	2021	2020	2021	2020
Debits and accounts payable (Note	1,181,843	983,672	2,512,368	893,950

(In Euros)

12.3)				
TOTAL	**1,181,843**	**983,672**	**2,512,368**	**893,950**

12.2 Analysis by maturity

The following are the amounts of the financial liability instruments with a specific or determinable maturity classified by year of maturity as at 31 December 2021:

	Financial liabilities					
	2022	**2023**	**2024**	**2025**	**Subsequent years**	**Total**
Debts with credit institutions	1,181,843	1,391,850	1,543,504	1,700,089	405,808	6,223,094
Other financial liabilities (*)	2,512,368	---	---	---	---	2,512,368
	3,694,211	**1,391,850**	**1,543,504**	**1,700,089**	**405,808**	**8,735,462**

(*) Does not include balances with government agencies.

The following are the amounts of the financial liability instruments with a specific or determinable maturity classified by year of maturity as at 31 December 2020:

	Financial liabilities					
	2021	**2022**	**2023**	**2024**	**Subsequent years**	**Total**
Debts with credit institutions	983,672	1,325,319	1,479,507	1,632,204	1,617,447	7,038,149
Other financial liabilities (*)	893,950	---	---	---	---	893,950
	1,877,622	**1,325,319**	**1,479,507**	**1,632,204**	**1,617,447**	**7,932,099**

(*) Does not include balances with government agencies.

12.3. Debits and accounts payable

	2021	**2020**
Long term debts:	**5,041,251**	**6,054,477**
Debts with credit institutions	5,041,251	6,054,477
Short term debts:	**1,393,875**	**985,270**
Debts with credit institutions	1,181,843	983,672
Other financial liabilities	212,032	1,598
Trade creditors and other accounts payable:	**2,541,337**	**1,058,154**
Suppliers	415,152	238,629
Sundry creditors	1,344,695	601,609
Trade advances	17,826	---
Personnel (wages and salaries pending payment)	522,785	53,712
Other debts with government agencies (Note 13.1)	240,879	164,204
Debits and accounts payable	**8,976,463**	**8,097,901**

The following is a breakdown of the debts with credit institutions as at 31 December 2021 and 2020:

	2021		**2020**	
	Short-term	**Long-term**	**Short-term**	**Long-term**
Bank loans	1,141,964	5,041,251	928,702	6,054,477
Debts for drawn credit (debtor)	(3,842)	---	1,277	---
Credit cards	28,509	---	35,631	---
Uncollected accrued interest	15,213	---	20,616	---
Total	**1,181,843**	5,041,251	**983,672**	**6,054,477**

(In Euros)

a) Loans with credit institutions

The following is a breakdown of the most important conditions of the financial loans in effect as at 31 December 2021 and 2020:

Type of transaction	Maturity	Limit	31.12.21 Short-term	31.12.21 Long-term	31.12.20 Short-term	31.12.20 Long-term
Loan	31.07.21	200,000	---	---	39,850	---
Loan (1)	20.11.22	200,000	67,059	---	66,667	66,667
Loan (2)	21.03.22	500,000	---	---	169,145	45,384
Loan (3)	03.04.28	1,000,000	104,243	895,757	162,531	837,469
Syndicated loan	30.06.25	6,000,000	970,662	4,145,494	490,510	5,104,956
		Total	**1,141,964**	**5,041,251**	**928,702**	**6,054,477**

(1) Investment loan, the purpose of which is commercial establishment in the South Korean subsidiary, financing of personnel expenses, rentals and promotion.
(2) Paid off early at the end of the financial year.
(3) ICO PYMES loan On 3 May 2021 an extension of the grace period and extension of maturity was signed.

The interest rate for debts with credit institutions is the Euribor plus a margin considered to be consistent with prices on the money markets. As at 31 December 2021, the Company has recognised the sum of 15,213 euros as accrued interest pending collection (20,616 euros as at 31 December 2020).

The average interest rate of long-term debts with credit institutions as at 31 December 2021 is 4.90% (4.93% the previous year).

Syndicated financial restructuring agreement

On December 14, 2020, the Parent Company closed a syndicated financing agreement up to a limit of 13 million euros. The Santander, CaixaBank, Sabadell and Deutsche Bank credit institutions are involved in the agreement, which is structured in three tranches:

- TRANCHE A, nominal sum of € 6 million for 5 years with half-yearly amortisation.
- TRANCHE B, Ordinary revolving credit. Nominal sum of € 5 million for three years plus two potential 1-year renewals.
- TRANCHE C, Revolving credit (bilateral contracts). Nominal sum of € 2 million over 3 years with two annual renewals up to 5 years.

The interest rate applicable to each settlement period will be Euribor + an initial 3% margin. This margin will vary depending on the variation in the net financial debt/EBITDA ratio at the end of each established review period.

Notwithstanding the unlimited personal liability of the Company acquired under the aforesaid contracts, the subsidiary Ecertic Digital Solutions, S.L. constitutes, on the same date, a joint and several surety executable on first request over all the obligations arising from said contracts. Furthermore, pledge rights in rem are constituted on the credit rights of the Operating Current Accounts and the Transitory Amortisation Account associated with the loan. Along the same lines, as a guarantee for the above obligations the Company has established a movable property mortgage on its trademarks, which are valued at 2,244,829 euros.

(In Euros)

Based on the estimates of its cash flows set forth in the business plan, Management considers that the Group will be capable of meeting all its contractual obligations deriving from the loans and financial credits into which it has entered as at the end of the financial year.

The debt issuance conditions related to the syndicated loan entail compliance with various annual ratios determined on the basis of net financial debt and financial expenses, both with respect to EBITDA, calculated using the information set forth in the Company's financial statements. As at 31 December 2021 the Company fails to meet the ratios set in the aforesaid financing agreements. Nevertheless, as at 31 December 2021 the creditors of the syndicated loan have agreed to grant the appropriate exemptions.

Credit accounts and discount lines

The Group has contracted availabilities in a policy to finance working capital for the following amounts:

	Drawn		Limit		Available	
	2021	2020	2021	2020	2021	2020
Credit lines	---	---	---	450,000	---	450,000
Syndicated Loans (B+C)	---	---	7,000,000	7,000,000	---	7,000,000
Advances on invoices	---	---	---	250,000	---	250,000
Credit cards	28,509	35,631	209,022	119,895	180,513	84,264
	28,509	**35,631**	**7,209,022**	**7,819,895**	**180,513**	**7,784,264**

b) Other short-term financial liabilities

Other short-term financial liabilities

Type of transaction	2021	2020
Debts convertible into subsidies	212,032	---
Others	---	1,598
Total	**212,032**	**1,598**

As at 31 December 2020 the Parent Company has recognised under this head the amount associated with the IVACE subsidies granted in the 2021 financial year deemed to be refundable (see Note 11.3).

At the end of the 2021 financial year the amount of the subsidies granted and deemed to be refundable and pending substantiation amounted to 212,032 euros recognised in the short term.

c) Information on the average period of payment to suppliers. Information on the average period of payment to suppliers. Additional Provision Three. "Duty of information" of Act 15/2010 of 5 July.

The following is the information required as at 31 December 2020 for the purposes of article 6 of the Resolution issued by the Accounting and Auditing Institute on 29 January 2017 on the information to be included in the Report in relation to deferral of payments to suppliers in trade transactions and regulated by Additional Provision Three, Duty of Information, in Act 15/2010 of 5 July that amends Act 3 /2004 of 29 December that establishes measures to combat default and late payment in trade transactions.

Item	2021	2020
	Days	Days
Average period of payment to suppliers	19	21
Paid transaction ratio	19	21

(In Euros)

Past-due transaction ratio	26	21
	Euros	
Total payments	7,266,275	7,013,762
Total pending payments	842,452	767,583

For these exclusive purposes, the Trade Creditors account encompasses the items of suppliers and various creditors for debts with suppliers of goods or services included within the scope of regulation of legal payment periods. The head of Net Purchases and Expenses for External Services encompasses the amounts recognised as such in accordance with the Spanish General Accounting Plan (PGC).

13. Government agencies and tax position

13.1 Current balances with government agencies

The following is a breakdown of the credit balances maintained with government agencies as at the end of the financial year:

	Euros		Euros	
	2021		2020	
	Assets	Liabilities	Assets	Liabilities
Deferred tax assets (Note 13.4)	**1,093,506**		**452,462**	
Deferred tax asset for:				
• VAT	187,355		142,893	
Other govt. agencies: Subsidies granted	239,041		---	
Other credits with government agencies	**426,396**		**142,893**	
Deferred tax liabilities (Note 13.4)		42,493		**68,373**
Debts with the Social Security		143,987		49,798
Deferred tax liability for:				
• VAT		6,172		27,412
• Personal income tax withholdings		90,720		86,994
Other debts with government agencies		**240,879**		**164,204**

The VAT debit balance at the end of the year corresponds to the amounts to be compensated or returned included in the settlements for the fourth quarter of the 2021 and 2020 financial years.

13.2 Financial years pending verification and inspection

In compliance with the currently applicable legislation, taxes are not considered finally settled until the returns have been inspected by the tax agency or the four-year limitation period has elapsed. As at 31 December 2021, none of the Group companies' main tax returns since 31 December 2017 have been inspected and are therefore open to examination by the Tax Agency.

Group Management considers that it has adequately settled all applicable taxes. However, in the event of an inspection, discrepancies could arise between Group management and the tax inspectorate on the interpretation of the regulations with respect to the fiscal treatment of certain transactions that could entail additional tax-related liabilities. However, Management does not expect such liabilities, even if they do arise, to significantly affect the Group's consolidated annual financial statements.

(In Euros)

13.3 Reconciliation of the accounting result and current expense for income tax

Corporation tax is calculated on the basis of the economic or accounting result obtained by applying generally accepted accounting principles, which does not necessarily have to coincide with the tax result, understood as the taxable base of the tax.

The reconciliation of the accounting result with the corporate income tax base as at 31 December 2021 is as follows:

	Facephi	Ethertic	Facephi APAC	Total 2021	Total 2020
Consolidated profit/(loss) before tax	**(794,004)**	**(107,730)**	**48,351**	**(853,383)**	**(2,001,814)**
Consolidation offsets and restatements					
• Offsetting sales margin of computer applications	---	22,400	---	22,400	---
• Amortisation of the fair value of intangibles assets (IT applic.) attributed to the business combination (note 1.c and 4)	335,532	---	---	335,532	234,554
Individual outcome before tax for the financial year (loss)	**(458,472)**	**(85,330)**	**48,351**	**(495,451)**	**(1,767,260)**
Permanent differences:					
• Other non-deductible expenses	9,419	---	---	9,419	14,051
• Changes in the fair value of financial instruments	380,604	---	---	380,604	943,944
• Impairment of holdings and loans to gr. comp.	(201,434)	---	---	(201,434)	282,697
Income / (Expenditure) allocated to Net Equity					
• Capital increase expenses	(97,500)	---	---	(97,500)	(168,910)
Previous taxable base	**(367,383)**	**(85,330)**	**48,351**	**(404,362)**	**695,478**
Comp Negative taxable bases	---	---	---	---	62,289
Payable tax base	**---**	**---**	**---**	**---**	**---**
Tax rate on the taxable base (25%)	(91,846)	---	---	(91,846)	(189,442)
Amount payable / (refundable)	**---**	**---**	**---**	**---**	**---**

As at the end of the 2021 and 2020 financial years the permanent differences are confined to consideration of fiscal penalties and surcharges and variation in the fair value of financial instruments (derivatives) related to the various capital increases as non-deductible expenses in accordance with the information set forth in Note 11.1.

The accounting expense / (income) for Corporation Tax is calculated as follows:

	Euros	
	2021	**2020**
Recognition of rebates for withholdings at source	(316,078)	205,158
Application of rebates for the current year	316,078	205,158

(In Euros)

Tax on the taxable base – Current expense / (income)	(91,846)	(189,442)
Expenditure / (Income) for current tax	**(91,846)**	**(189,442)**
Temporary deductible diff. Capital increase expenses	24,375	42,227
Expenditure / (Income) for deferred tax	**24,375**	**42,227**
Recognition of restatement of estimated R&D rebates (Note 13.4)	(232,009)	---
Total expenditure / (income) for Corporation Tax	**(299,479)**	**(147,214)**

13.4. Deferred tax assets and liabilities

Deferred tax assets

In accordance with the principle of prudence, deferred tax assets for deductible temporary differences, negative tax base and deductions and other unused tax rebates will only be recognised to the extent that it is probable that the Parent Company will have future taxable profits that enable application of these assets.

Tax rebates pending application

The following table shows the breakdown of rebates pending application in accordance with the corporate tax returns filed and the tax forecast for the current financial year as at 31 December 2021 and 2020:

As at 31 December 2021

Item	Year of origin	2020	Generated	Applied	2021
International double tax.	2018	57,862	---	---	57,862
Research and Development (**)	2019	---	25,740	---	25,740
International double tax.	2020	205,158	---	---	205,158
Research and Development (**)	2020	---	79,637	---	79,637
Production of films	2020	---	126,632	---	126,632
International double tax.	2021 (*)	---	316,078	---	316,078
	Total	**263,020**	**548,087**	**---**	**811,107**

(*) 2021 corporate tax estimate (Note 13.3)

(**) Rebates estimated at 12% of the taxable base.

As at 31 December 2020:

Item	Year of origin	2019	Generated	Applied	2020
International double tax.	2018	57,862	---	---	57,862
International double tax.	2020(*)	---	205,158	---	205,158
	Total	**57,862**	**205,158**	**---**	**263,020**

The definition of Research and Development (R&D) and Technological Innovation (TI) set forth in article 35 of the Corporate Tax Act that regulates the rebate for performance of said activities are indeterminate legal concepts that confer a high degree of legal uncertainty on application of the aforesaid rebate.

For the purposes of mitigating the legal uncertainty in application of the rebate, the Tax Act provides that taxpayers can obtain reasoned reports on compliance with the definitions of R&D and TI in accordance with the activities carried out the Ministry of Science and Innovation or its related bodies. These reports are binding on the Tax Agency and therefore mitigate the aforesaid legal insecurity.

In accordance with the following breakdown, during the 2021 financial year, the Company received the reasoned report that substantiates the calculation of expenses incurred during the 2019 and 2020 financial years in relation to research and development projects:

ITEMS (in euros)	**2019**	**2020**	**2020**
Personnel	€117,423.15	€501,809.08	€619,232.23
Amortisation of tangible and intangible assets	€0.00	€0.00	€0.00
Consumables	€0.00	€0.00	€0.00
External collaborations	€97,074.93	€161,831.26	€258,906.19
Other expenses	€0.00	€0.00	€0.00
Samples	€0.00	€0.00	€0.00
Indirect costs	€0.00	€0.00	€0.00
TOTAL EXPENDITURE FOR THE FINANCIAL YEAR	**€214,498.08**	**€663,640.34**	**€878,138.42**
Subsidies received	€0.00	€0.00	€0.00
Subsidies compensated	€0.00	€0.00	€0.00
BASE FOR TAX REBATE	**€214,498.08**	**€663,640.34**	**€878,138.42**
For qualified research personnel	€0.00	€0.00	€0.00
Subsidies for qualified research personnel	€0.00	€0.00	€0.00
Base for qualified research personnel	€0.00	€0.00	€0.00
Teams devoted entirely to R&D	€0.00	€0.00	€0.00
Average base of two previous years	€0.00	€107,249.04	€107,249.04
Excess above average value	€214,498.08	€556.391.30	€770,889.38
Calculation of fiscal rebate			
Rebate on average R&D base	€0.00	€26,812.26	€26,812.26
Rebate on excess R&D base	€90,089.19	€233,684.35	€323,773.54
Additional rebate for qualified researchers devoted exclusively to R&D	€0.00	€0.00	€0.00
Investment in tangible and intangible fixed assets assigned exclusively to R&D	€0.00	€0.00	€0.00
T.I. base rebate	€0.00	€0.00	€0.00
TOTAL REBATE	**€90,089.19**	**€260,496.61**	**€350,585.80**

The provision for Corporation Tax for the financial year will be altered to include the associated rebate if a reasoned report is received for any of the projects between the drafting date of the financial statements and the tax return submission date. Consequently, the Parent Company reported technological investment rebates for the sum of 105,377 euros in the corporation tax return for the 2020 financial year, having recognised the rebates during fiscal year 2021 as an accounting estimate restatement. Subsequently, in September 2021, a reasoned report was received that qualified the tax rebates as research and development. This entails a change from a rebate of 12% to one of 42% of the investment associated with the R&D projects. In view of the fact that the aforesaid reasoned report was received after settlement of the tax for the 2020 fiscal year, the Company has prudently decided to wait for the 2021 settlement to recognise the difference in the deduction for the sum of 245,208 euros in the 2021 financial year.

In addition, the Parent Company reported technological investment rebates for the sum of 126,632 euros in the corporation tax return for the 2020 financial year applicable to the investment in the film production company Ama Movie, A.I.E described in Note 9.3.

Tax rebates for negative taxable bases

According to the 2021 financial forecast, the Parent Company has the following negative tax base items to offset with future tax rebates according:

(In Euros)

	Euros				
Year of origin	**Bases pending 2020**	**Generated 2021**	**Compensated in 2021**	**Pending bases 2021**	**Tax credit**
2020 financial year	757,767	---	---	757,767	189,442
2021 Financial Year	---	367,383	---	367,383	91,846
Total	**757,767**	**367,383**	**---**	**1,125,150**	**281,288**

Another Group company has the following negative taxable bases to offset with future tax rebates in accordance with the tax returns filed until 31 December 2021 and for which the tax credit for deferred tax has not been recognised on the books:

	Euros		
Year of origin	**Bases pending 2020**	**Originating in 2020**	**Pending bases 2021**
2018 financial year	30,596	---	30,596
2019 Financial Year	272,047	--	272,047
2020 financial year	---	9,013	9,013
Total	**302,642**	**9,013**	**311,655**

Deferred tax liabilities

The temporary differences as at 31 December 2021 and 2020 derived from the subsidies received and transferred to the outcome for the financial year are set forth in this section.

The following is the breakdown of movements under this head during the 2021 and 2020 financial years:

	Euros	
	2021	**2020**
Initial balance	**68,373**	**55,531**
Temporary differences reversed for:		
- Tax effect of subsidy additions for business combs.		25,500
- Capital subsidies granted	---	13,223
- Capital subsidies transferred to profit/(loss) (note 11.3)	(25,880)	(25,880)
Final balance	**42,493**	**68,373**

14. Income and expenditure

a) Net turnover

The following is the geographic spread of the consolidated net turnover for the Group's ordinary activities:

(In Euros)

Market	% 2021	% 2020
Spain	14.40	11.27
Rest of the European Union	---	0.93
Other countries	85.60	87.80
	100.00	**100.00**

Furthermore, 100% of net turnover is for provision of services to the Group companies.

The sum of 562,924 euros (758,958 euros as at 31 December 2020) was recognised as at 31 December 2021 under the head of *Short-term accruals* in current liabilities on the attached balance sheet for estimated revenue from support and maintenance activities, accrual of which takes place in the following financial year.

b) Supplies

Costs accrued for licensed use of certain computer programs and software necessary to develop the products that the Group will subsequently market under license are set forth under this head in the income statement. The sum of 1,877,687 euros has been recognised as at 31 December 2021 (1,316,367 euros in 2020).

c) Work performed by the Group for its assets

	2021	2020
Work performed by the company for its assets		
Facephi	2,100,208	930,592
Ecertic	75,000	179,859
	2,175,208	**1,110,451**

The amounts set forth in the above table originate in the improvements and new versions of its computer applications that the Group has continued to make, and are capitalised in Intangible Assets (see note 4).

d) Operating subsidies included in profit/loss

In accordance with the criteria set forth in Note 3.11 as at 31 December 2021, Company Management allocated the sum of 103,520 euros to the income statement (the same amount was posted on 31 December 2020) (Note 11.3).

e) Personnel expenses

	2021		2020	
	FACEPHI	Rest of Group	FACEPHI	Rest of Group
Wages, salaries and similar	5,812,606	475,682	2,690,588	123,723
Severance payments	6,000	---	---	---
Company Soc. Sec. payments	900,515	38,825	343,932	28,225
Other employee benefit expenses	2,081	---	---	---
Provisions for long-term remuneration (note 3.13. c)	---	29,601	---	---
	6,721,202	**544,108**	**3,034,520**	**151,948**

The following table shows the average number of employees during the years under study:

(In Euros)

	2021		2020	
	FACEPHI	Rest of Group	FACEPHI	Rest of Group
Senior management	1	1	2	
Scientific, technical and professional personnel	139	3	44	3
Clerical workers	6	1	7	
Sales force	6		4	
Total average employees	**152**	**5**	**57**	**3**

These employees were distributed by gender as follows at the end of the year:

	2021			2020		
	Men	Women	Total	Men	Women	Total
Executive directors	2	---	1	2	---	2
Scientific, technical and professional personnel	111	33	144	33	14	47
Clerical workers	3	4	6	2	5	7
Sales force	5	1	6	3	1	4
Total workforce at the end of the financial year	**121**	**38**	**159**	**40**	**20**	**60**

As at 31 December 2021 the Group employs 2 employees with disabilities equal to or greater than 33% (1 at 31 December 2020).

The average number of employees with a disability equal to or greater than 33% for fiscal year 2021 was 2 people (the same number during the 2020 financial year).

f) Other operating expenses

The breakdown of Other operating expenses by years is as follows:

	Euros	
	2021	2020
External services:		
Research and development expenses	2,005	---
Leases and royalties	168,774	147,614
Repairs and upkeep	23,402	7,362
Independent professional services	3,917,392	1,985,951
Insurance premiums	56,859	38,258
Banking and similar services	94,928	101,024
Advertising, promotion and public relations	690,721	216,481
Supplies	63,271	40,170
Other services	525,142	498,135
Taxes	11,692	5,441
Losses, impairment and variation of provisions for uncollectible trade transactions (note 9)	75,294	383,851
Other operating expenses	**5,629,480**	**3,424,287**

g) Foreign currency: Exchange differences

The overall value of assets denominated in foreign currency (f.c.) amounts to 5,218,871 euros (6,129,958 euros in 2020). The following are the most significant items:

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(In Euros)

Item	Currency	Euros 2021	Euros 2020
Trade (foreign currency)	USD	4,077,809	3,064,135
Trade (foreign currency)	KRW	102,011	---
Treasury (c/c in f.c.)	USD	713,755	2,620,556
Treasury (c/c in f.c.)	KRW	285,123	---
Treasury (cash f.c.)	USD	---	2,076
Fixed-term deposits (f.c.)	USD	40,173	443,191
	Total	**5,218,871**	**6,129,958**

The following is a breakdown of liabilities denominated in foreign currency:

Item	Currency	Euros 2021	Euros 2020
Creditors (f.c.)	USD	420,184	437,964
Creditors (f.c.)	KRW	31,982	---
Trade advances	KRW	17,826	---
	Total	**469,992**	**437,964**

The main transactions carried out in currencies other than the euro are detailed below:

	2021	2020
Services received (USD)	(3,284,492)	(1,462,367)
Services received	(96,591)	---
Rev. from services provided (USD)	10,782,492	6,320,187
Rev. from services provided	481,261	---
	(96,591)	**---**

The following table shows the amounts of the exchange differences recognised in the income statement for the period. The figures for transactions settled during the period are separated from those pending settlement as at 31 December 2021 and 2020:

Financial instrument	Currency	Exchange differences 2021	Exchange differences 2020
Negative cash differences	USD	17,998	201,996
Positive cash differences	USD	(176,693)	(16,106)
Positive cash differences	KRW	(5,828)	---
Negative differences from trade collections	USD	9,870	25,517
Positive differences from trade collections	USD	(72,544)	(66,761)
Positive differences from trade collections	KRW	(5,828)	---
Negative differences for payments to suppliers	USD	28,234	421
Negative differences due to credit balances	KRW	2,698	---
Positive differences for balances with finan. inst.	USD	(254)	---
Positive differences for supplier payments	USD	(2,757)	(24,208)
Total for transactions settled in the financial year		**200,289**	**120,859**

(In Euros)

Financial instrument	Currency	Exchange differences 2021	2020
Negative differences due to trade balances	USD	14,961	278,112
Positive differences due to trade balances	USD	(139,125)	---
Negative differences due to financial investment balances	USD	---	47,968
Positive differences due to finan. invest.	USD	(1,874)	---
Negative differences for payments to suppliers	USD	9,086	7,137
Total for transactions pending maturity: (+)-		**(116,952)**	**333,217**
Total exchange differences allocated for the year: (+)-		**(317,241)**	**454,077**

15. Remuneration of the members of the Board of Directors and Senior Management of the Parent Company

In accordance with the proposal of the Appointments and Remuneration Committee on 27 April 2021, subsequently ratified by the General Meeting held on 28 June 2021, the Governing Bodies and the Board of Directors received the following remuneration for the 2021 financial year:

- For senior management salaries: a total amount of 840,000 euros plus a supplementary amount info of 120,000 euros distributed between the two semesters of the financial year provided that the Company’s turnover is 20% higher than that of the same period of previous year in both halves.
- Remuneration of the Board of Directors is composed of 250,000 euros for per diem allowances and 50,000 euros as remuneration for the Audit Committee and the Remuneration Committee.

Pursuant to these agreements, the remuneration accrued as at 31 December2021 and 2020 was the following:

a) Remuneration of members of the Board of Directors and senior management.

During the 2021 and 2020 financial years, the members of the Board of Directors, some of whom are also senior managers, received the following statutory and salary remuneration including Board expenses and per diem allowances, remuneration in kind and insurance premiums of civil responsibility for managers and directors:

	Euros 2021	2020
Remuneration:		
Remuneration-Senior Management	656,830	840,000
Variable remuneration-Senior Management	90,000	225,000
Board and Audit and Remuneration Committee Allowances	300,000	300,000
Other remuneration	46,446	63,026
Insurance premiums	2,492	14,476
Total remuneration	**1,095,768**	**1,442,502**

As reported to BME Growth on 26 July 2021 by notification of proprietary information, on 23 July 2021 the Company’s Board of Directors accepted the resignation of its Chairman from all the offices and positions he held in the Company until that date. In order to properly define the duty to refrain from competing, an agreement for a period of three (3) years for a consideration of 1,100,000 euros was reached and paid during the current financial year.

(In Euros)

No advances or financial credits have been granted to the directors and nor has the Group acquired the obligation to provide pensions pension plans for members of the Board of Directors or of senior management. There are no agreements by virtue of which the members of the Board or senior management have the right to receive compensation for dismissal or separation from their positions or offices.

b) Directors and conflict of interest

In compliance with the duty of avoiding situations that could entail conflict with the interest with the Company, all members of the Board of Directors have fulfilled the obligations set forth in article 228 of the consolidated text of the Corporate Enterprises Act during the financial year. Furthermore, both the Directors and persons related to the same have refrained from incurring in the cases of conflict of interest which may be authorised by the governing body provided for in article 229 of said Act. There have been no such cases during the current financial year.

16 Balances and transactions with Group companies and other related parties

In accordance with the financial reporting framework set forth in Note 2, for the purposes of drafting and submitting these annual financial statements the Company understands that another company forms part of the Group when the two undertakings are linked by a direct or indirect control relationship. An indirect relationship is held to be analogous to that provided for in article 42 of the Spanish Commercial Code for groups of companies or, in accordance with Rules 13 for drawing up the annual financial statements, the companies are controlled by any means by one or more natural or legal persons acting jointly or are under sole management by agreements or statutory clauses.

The following is the list of Group and associated companies that incur in these circumstances as set forth in Note 1:

Group Company (Art. 42 Com. Code)	% holding	Address	Main activity
Celmuy Trading, S.A.	100%	Montevideo (Uruguay)	Marketing of biometric facial-recognition systems

Affiliated company(Rule 15)	Address	Main activity
CF Intercity S.A.D.	San Juan (Alicante)	Public limited sports company

a) Financial investments in Group companies

The breakdown of the short-term and long-term financial investments in Group companies is set forth in note 8.

b) Balances and trade transactions with related parties

In accordance with the information set forth in Note 15 above and until 29 September 2021 when the Parent Company registered changes to its Governing Body in the Companies Registry, in compliance with Rule 13 of the Rules for Drafting Financial Statements (NECA) the public limited sports company CF Intercity S.A.D. was considered to belong to the Group by decision-making unit but that was excluded from the consolidation perimeter.

Pursuant to the above, in accordance with the provisions of NECA 15, as at said date CF Intercity S.A.D has been deemed to constitute a related company in view of the significant influence that Javier Mira Miró – member of the Board of Directors of CF Intercity, S.A.D. and Chairman of the Board of Directors of Facephi Biometrics, S.A. – has over the same.

On 29 July 2021 Javier Mira Miró resigned from the Board of Directors of Intercity, S.A.D and therefore ceased to have significant influence over the same. Furthermore, on 29 October 2021 C.F.

Intercity S.A.D becomes the first Spanish football club listed on the stock market, a circumstance that further dilutes his influence. Therefore, at the end of the current financial year and drafting date of these annual financial statements, C.F. Intercity, S.A.D is no longer an associated company of Facephi Biometria, S.A.

On 1 December 2019, the Parent Company and CF Intercity SAD entered into an advertising sponsorship contract for a duration of 3 seasons from 1 July 2019 to 30 June 2022 for the sum of 100,000 euros per season. As at 31 December 2021 the Company has recognised the sum of 100,000 euros in the income statement under the head of *Other operating expenses* for the second half-year of the 2020-2021 sports season and the first half of the 2021/2022 season (the same amount as at 31 December 2020).

At the end of the 2020 financial year the Parent Company granted an advance payment of 100,000 euros to C.F. Intercity, S.A.D.

All trade transactions performed with associated undertakings are negotiated on the basis of market prices.

17. Environmental information

The Company does not have significant tangible fixed assets intended to mitigate the environmental impact of its activity. Nor has it incurred in significant expenses during the financial year for aimed at protecting and improving the environment.

At the present time there are no known contingencies related to protection and improvement of the natural environment or their potential impact on the Company's outcomes and equity position.

No subsidies of an environmental nature have been received.

18. Provisions and contingencies

As at 31 December 2021, the Parent Company has placed a surety for the sum of 10,000 USD that will mature on 24 February 2022 at the disposal of a customer. Said surety is pledged in a fixed-term deposit for the same amount (note 9).

As at 31 December 2021 the Parent Company has placed a surety for the sum of 35,340 USD that will mature on 20 September 2026 at the disposal of a customer. Said surety is pledged in a fixed-term deposit for USD 35,000 (Note 9).

Moreover, on 15 October 2021 the Parent Company placed a surety for the sum of 91,281 dollars with a financial institution for an indefinite term at the disposal of a customer as a bond for monetary responsibilities.

19. Other information

(In Euros)

a) Audit fees

On 24 July 2020, the General Meeting agreed to renew the appointment of Auren Auditores SP, S.L.P. as the Company's auditors for the financial years ending on 31 December 2020, 2021 and 2022.

The following is a breakdown of the professional fees accrued under this head regardless of the date on which they were invoiced:

	2021	2020
Audit services:		
• Audit of the individual annual financial statements	22,450	21,500
• Audit of the consolidated annual financial statements	10,000	6,000
Other services related to the audits:		
• Review of the interim consolidated financial statements as at 30.06	11,000	10,500
Other accounting verification services	1.000	---
Total professional services	**44,450**	**38,000**

As at 31 December 2021 and 2020, no fees have been accrued by other companies of the Auren group for tax consultancy services, special reports, other verification services or other services of any nature whatsoever.

b) Off-balance-sheet agreements

Provided that the information involved would be significant or helpful in determining the financial position of the Company, there are no agreements or contracts or their potential financial impact that have not been included in the Balance Sheet and/or concerning which information has not been provided in other notes to the Report.

20. Subsequent events

Capital increase: Issuance of equity warrants in February 2022

Pursuant to the delegation granted by the General Meeting on 25 January 2021, the Company's Board of Directors agreed at its meeting on 16 February 2022 to implement a second issue of equity warrants (EW) convertible into shares for a conversion amount of 2,500,000 euros under the same terms and conditions as the previous issue. This resolution was attested before notary public on 24 February 2022 and includes the option of a capital increase and partial subscription once the investor has confirmed exercise of the option of converting the EW into the Company's shares.

On 25 February, 28 February and 9 March 2022 Nice & Green gave notice of their intention to exercise the option to convert EW into shares and paid a collective conversion amount 600,000 euros for the conversion of 32,290, 95,849 and 80,906 EW into the same number of new shares with a par value of 0.04 euros each. The new Company shares are issued as follows: 32,290 shares with an issue price 3.0969 euros each of which 3.0569 euros corresponds to the issue premium and 0.04 euros to the par value; 95,849 shares with an issue price of 3.1299 euros each of which 3.0899 euros corresponds to the issue premium and 0.04 euros to the par value and 80,906 shares with an issue price per share of 2.4720 euros of which 2.432 euros correspond to issue premium and 0.04 euros to par value.

After the increase, share capital thus stands at € 613,735, all fully called and paid up, divided into 15,343,367 shares numbered from 1 to 15,343,367 represented by book entries with a par value of four cents of a euro (€ 0.04) each, and all of the same class, identical, cumulable and indivisible. The associated capital conversion and increase was attested on 21 March 2022 pursuant to an instrument executed before the notary public of Castilla-La Mancha Iván Castejón Fernández-Trujillo under number 331 of his journal record and as at the drafting date of these annual financial statements is pending registration in the Companies Registry of Alicante.

Variation in the fair value of the financial derivative during its life (i.e., from issuance of the equity warrants to the date of the conversions, at which time the *fixed-for-fixed* swap rule is fulfilled), has detected a net loss for a total amount of 68,154 euros.

Takeover

In February 2022, the merger agreements – drafted and signed on 2 November 2021 with the applicable content and requirements provided for the purpose in articles 30 and 31 of the Trading Companies Structural Change Act (*LME*) and the project issued by the governing bodies of the absorbing company FACEPHI BIOMETRÍA, S.A. and of the absorbed company ECERTIC DIGITAL SOLUTIONS, S.L. – were attested before notary public and the merger agreements were registered.

Since the absorbing company is the direct owner of 100% of the share capital of the absorbed limited liability company, in compliance with article 51 of the LME the approval of the merger by the General Meeting of the absorbing company is not required.

On 9 November 2021, the governing bodies of both companies approved the merger transactions in accordance with the project previously drawn up and signed on 2 November, dissolving the absorbed company and acquisition of its assets by universal succession and approving the respective merger balance sheets as at 30 September 2021. The effective date of the accounting transactions of the absorbed company will be 1 January 2022.

The following is the associated merger balance sheet of the absorbed company approved by its governing body:

Report on the Annual Financial Statements
As at 31 December 2021

(In Euros)

ECERTIC balance sheet
as at 30 September 2021

(In Euros)

ASSETS	30/09/2021	31/12/2020
A) NON-CURRENT ASSETS	200,566	232,777
I. Intangible fixed assets	**191,363**	**222,737**
5. Computer applications	191,363	222,737
II. Tangible fixed assets	**9,203**	**10,040**
2. Technical facilities and other tang. fix. assets	9,203	10,040
B) CURRENT ASSETS	365,157	297,600
III. Trade debtors and other accounts receivable	**260,015**	**295,213**
1. Trade accounts, sales and provision of services	243,813	278,537
3. Other debtors	0	300
5. Current tax assets	(733)	(733)
6. Other credits with government agencies	16,936	17,109
VII. Cash and cash equivalents	**105,142**	**2,387**
1. Treasury	105,142	2,387
TOTAL ASSETS	565,723	530,377

NET EQUITY AND LIABILITIES	30/09/2021	31/12/2020
A) NET EQUITY	383,198	448,465
A-1) Capital and reserves	**308,043**	**359,639**
I. Capital	**8,867**	**8,867**
II. Issue premium	**703,365**	**703,365**
III. Reserves	**(318,590)**	**(343,579)**
1. Legal and statutory	653	653
2. Other reserves	(319,243)	(344,232)
V. Profit (loss) from previous financial years	**(9,013)**	**(46,314)**
1. Surplus	37,300	0
2. (Negative results from previous financial years)	(46,314)	(46,314)
A-3) Grants, donations and bequests received	**75,155**	**88,826**
B) NON-CURRENT LIABILITIES	25,052	29,609
IV. Deferred tax liabilities	**25,052**	**29,609**
C) CURRENT LIABILITIES	157,474	52,303
III. Short-term debts	**(3,842)**	**(3,532)**
2. Debts with credit institutions	(3,842)	(1,277)
5. Other financial liabilities	0	(2,255)
IV. Short-term debts with group and associated companies	**175,969**	**0**
V. Trade creditors and other accounts payable	**(14,653)**	**55,835**
3. Sundry creditors	11,650	1,329
4. Personnel (salaries pending payment)	(47,458)	13,662
6. Other debts with government agencies	21,155	40,844
TOTAL NET EQUITY AND LIABILITIES	565,723	530,377

Transfer of Assets and Personnel of Celmuy Trading subsidiary of Uruguay

On 4 February 2022 Celmuy Trading, S.A., a subsidiary located in Uruguay, entered into a contract for the sale of fixed assets for the sum of $US 21,000 which, together with the transfer on 1 March 2022 of the technical staff of the T.A.S. provided to date to the Facephi Group, the Group's operations begin in the aforesaid country.

The Directors consider that no other significant subsequent events have occurred that could affect the information contained in these annual financial statements in addition to the events described above.

Alicante 31 March 2022
* * * * * *

ΦFacePhi

Beyond Biometrics

ANNUAL REPORT 2021
CONSOLIDATED AUDITED ACCOUNTS

FacePhi
Beyond Biometrics

BEYOND EXTRAORDINARY
FROM STARTUP TO SCALEUP

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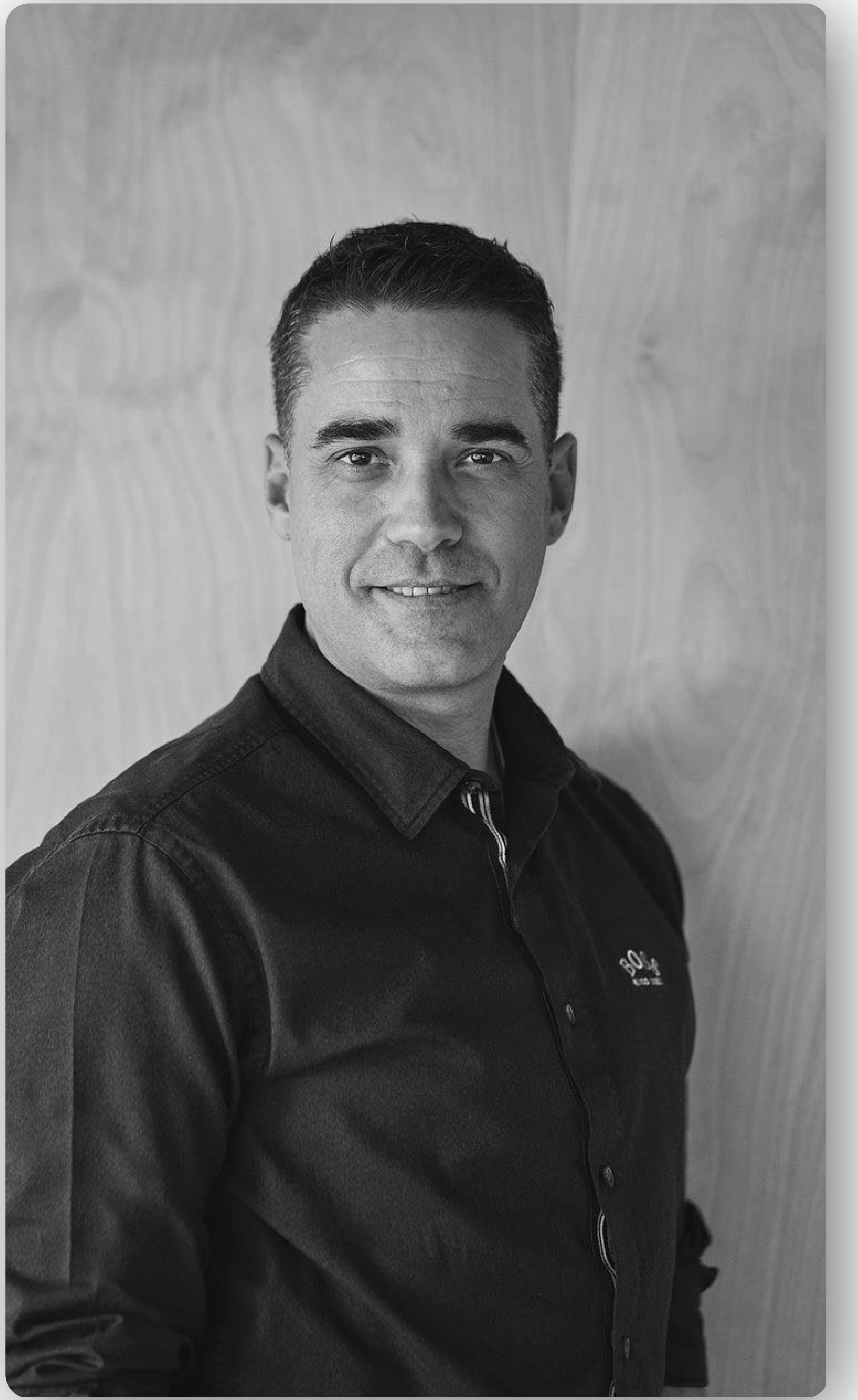


CEO's NOTE

Javier Mira

The year 2021 has been the best of our history. A year in which we have outdone ourselves at all levels and which has allowed us to make the leap **from startup to scaleup**. During this period, we worked tirelessly to achieve our main objective, excellence. A commitment that has been with us since our beginnings and that has allowed us to grow together and achieve milestones that at first seemed unimaginable.

During this time, we made our solutions available quickly and easily to any company in the world, becoming their best ally to **verify the identity of their users.** This has led us to conquer new international markets, entering for the first time in **Chile, Vietnam and Nigeria.**

In addition, in 2021 we entered other industries such as **travel and transportation, sports events and public administrations**, closing important contracts and consolidating our position as a key player in the digital transformation process of our clients. In this way, we proved the great adaptability of our technology and the great growth potential we have as a company.

On the technology front, during 2021 we made a major effort to complete the development of our new solution that is revolutionizing the market. We launched the most complete identity verification technology on the market: **FacePhi Identity Platform**, which will enable us to accelerate our expansion and get our technology faster to more customers.

On this journey marked by excellence and innovation, we have been recognized by the **Spanish Ministry of Industry and Tourism as a Strategic Company**, a distinction that guarantees that we can recruit the best talent from anywhere in the world to continue developing and implementing our technology.

After closing our best year ever, we are ready for a 2022 full of success, innovation and growth. **Join us on this exciting journey!**

COMPANY'S EVOLUTION

During our beginnings in **2012**, we decided to focus on the **financial industry**, one of the most regulated and demanding sectors in terms of security.

Our desire to move forward led us, in 2019, to make our technology also applicable to industries such as **insurance and health**.

Today, **our solutions can be integrated into any industry** and company that wants to implement digital identity verification processes in a secure and safe way.

The trust placed in us by our customers has led us into new industries in **2021**, such as **public administration, travel and transportation, and sports events.**

TECHNOLOGICAL EXPANSION BY INDUSTRIES

2014 - 2018

- FINANCIAL

2019 - 2020

- FINANCIAL
- HEALTH
- INSURANCE

2021

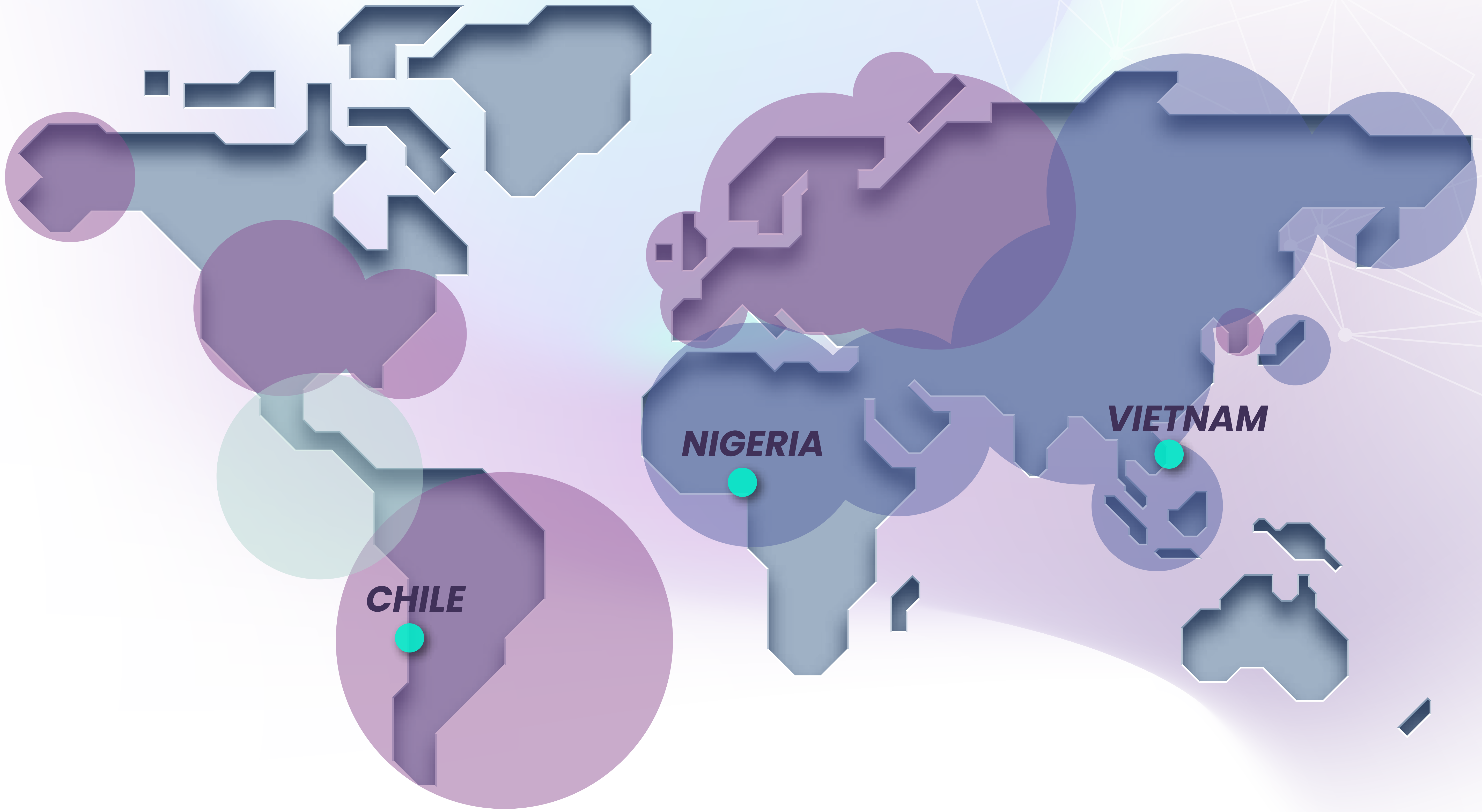
- FINANCIAL
- HEALTH
- INSURANCE
- TRAVEL AND TRANSPORTATION
- SPORTS EVENTS
- PUBLIC ADMINISTRATION

At first, we focused on **LATAM**, due to the high rate of fraud in identity verification processes in the area. A region in which we expanded at a fast pace.

From 2017 we grew in **North America, Europe and Asia**, where in 2019 we opened **FacePhi APAC**, our first subsidiary in South Korea.

In 2021 our international growth was unstoppable. We entered new countries such as **Chile, Vietnam and Nigeria**, which also marked our arrival on the African continent.

EXPANSION TO NEW REGIONS AND COUNTRIES



2012-2016 | 2017-2020 | 2021

2021 HIGHLIGHTS

We closed significant agreements in different industries with clients such as:

We participated in the **Korean Sandbox** with **Daegu Bank** in order to work together and innovate in the country's financial sector.

Read more

We continue our expansion across the **Asia-Pacific** continent, with the entry of our technology into **Vietnam** for the first time.

Read more

This project represents a strategic breakthrough with Cencosud Scotiabank, the credit finance branch of Cencosud, **one of the largest retail conglomerates in the Americas.**

Read more

We became **Banco Santander's** reference supplier for **identity verification technology** in all the group's subsidiaries.

Read more

It is our leap into the world of sporting events. In addition, Valencia C.F. has become an **ambassador of our technology**, promoting access and contact with other sports entities nationally and internationally

Read more

A great project that represents our entry into the African continent. Through it, the **Nigerian government** relies on our technology to verify the identity of its retired military personnel and facilitate the **collection of pensions.**

Read more

We got the **world's leading airport operator** to rely on our technology to apply it at their airports.

Read more

The most important airline in Latin America will use our technology to **allow boarding on airplanes.**

KEY FACTS

At FacePhi we work with companies that want to offer their customers the **best user experience** and the possibility to carry out daily operations quickly, securely, easily and 100% online.

Thanks to the good usability of our technology and its differential values, **more than 95% of the companies** that work with us continue to choose FacePhi solutions. A situation that has led us to have more than **300 million final users.**

CUSTOMER RETENTION RATE

+95%

NUMBER OF USERS

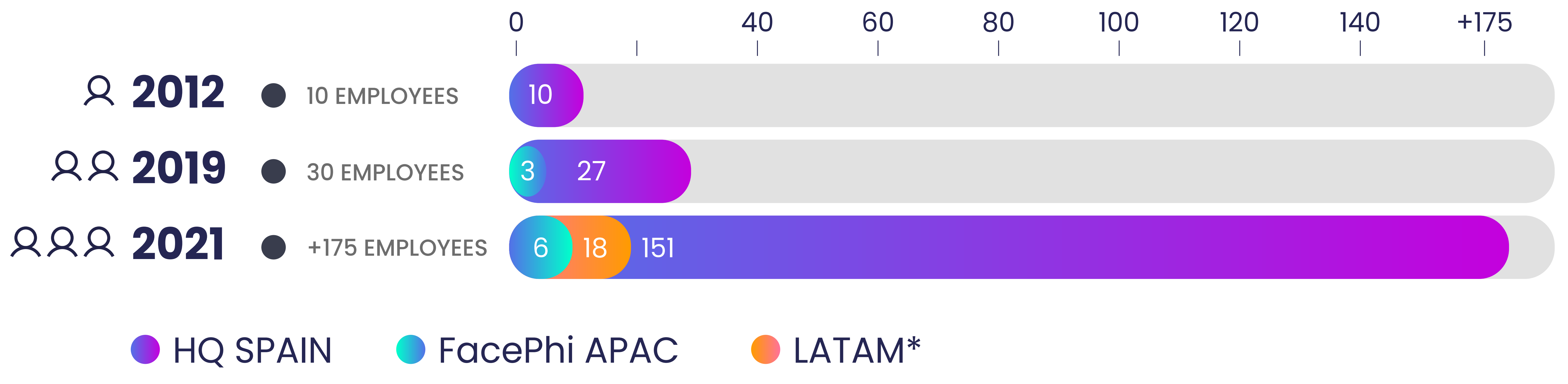
+300 MILLION

STRUCTURAL GROWTH

We started our journey in 2012 as a **small group of engineers and mathematicians** working from our headquarters in Spain. Our team in this office has been growing as our product development and number of clients has increased, and as we have **expanded our presence in new markets and industries.**

Precisely, our great development and expansion in the Asian market has meant that since **2019 we have a subsidiary in Seoul, South Korea, FacePhi APAC**. In addition, as an added value, and to provide greater coverage to our Latin American customers, in 2020 we decided to establish a **support team** in this region.

In 2021 we consolidated our growth, increasing our workforce by **200%** to more than **175 employees**.



*Support Team in Uruguay. In 2022 it becomes FacePhi LATAM, the new subsidiary in Latin America

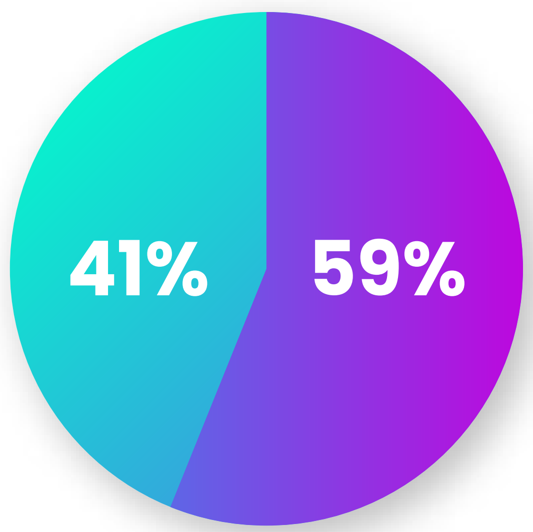
Source: FacePhi

FINANCIAL INFORMATION

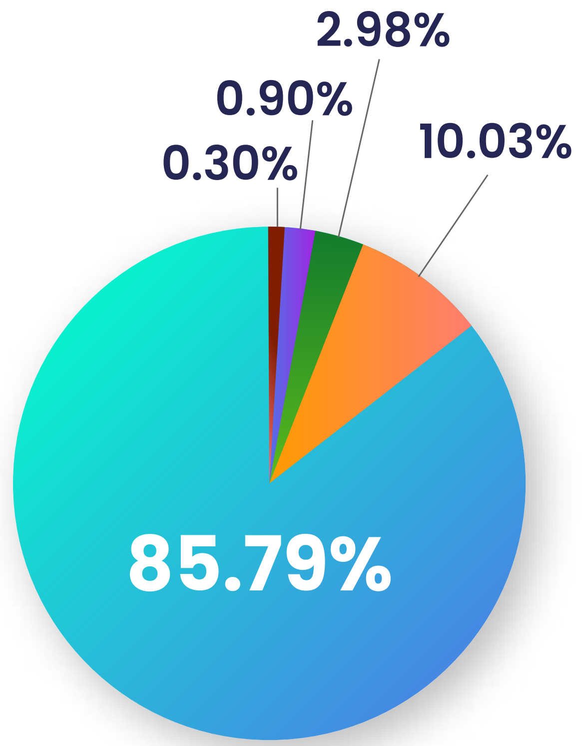
REVENUE

2021

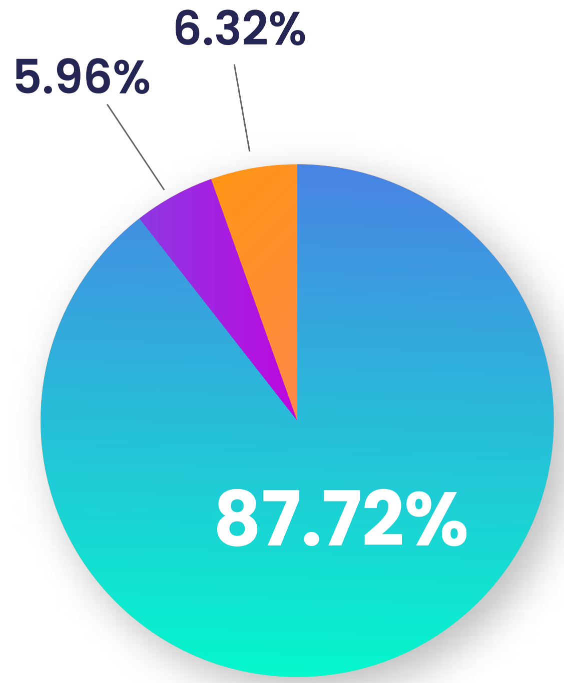
RECURRING VS NON-RECURRING REVENUE



REVENUE BY GEOGRAPHICAL AREA



REVENUE STREAMS



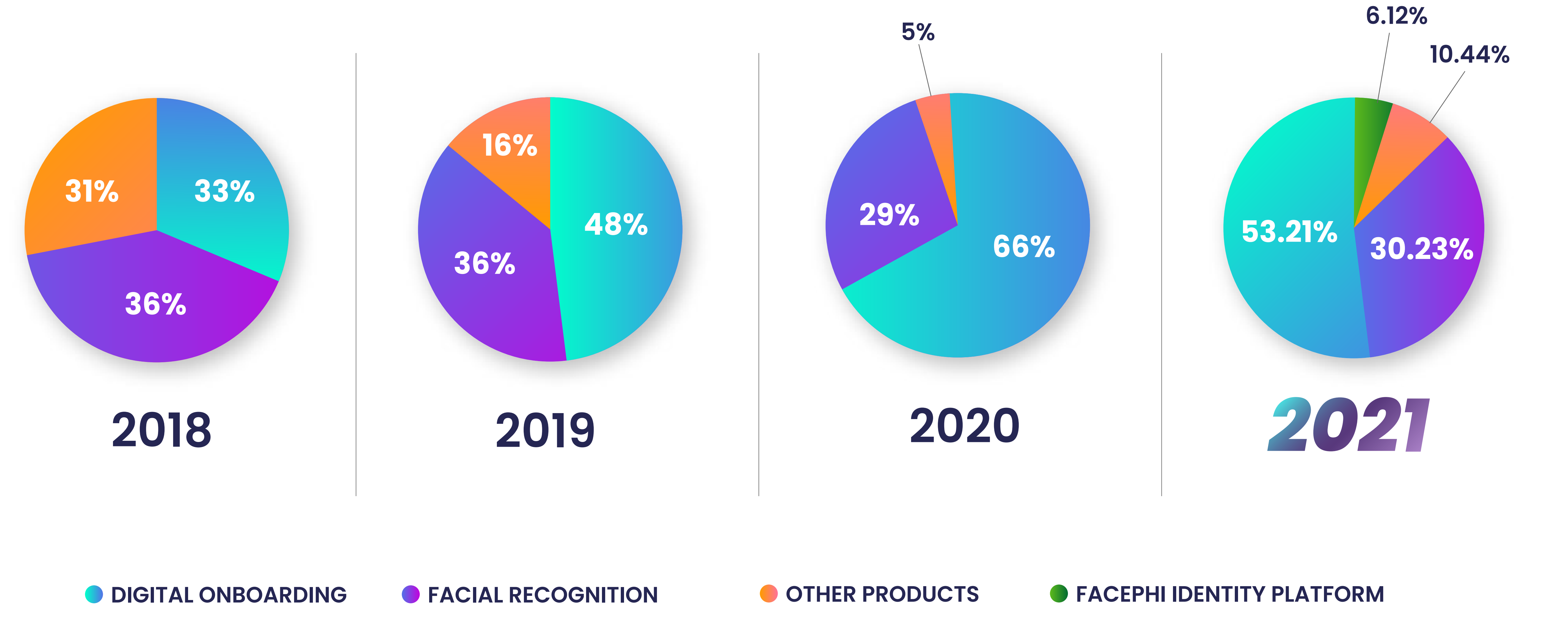
Source : FacePhi

REVENUE

The rising demand of digital **onboarding technology** is reflected in its increasing popularity over the years, reaching **53.21% of FacePhi's revenue in 2021**. Together with facial recognition technology, which accounts for **30.23% of our turnover,** they become our two best-selling products.

From this 2022, and in the coming years, thanks to the release of our **Digital Identity Platform** and the great applicability of the same in companies of different sizes and from different industries, we expect it to be a product that will gain relevance and **drive our growth in number of customers and users.**

REVENUE BY PRODUCT TYPE



Source : FacePhi

TURNOVER AND EBITDA

In 2021 we continued to transform our resources into growth. This trend has allowed us to continue in our **unstoppable international expansion** to new markets, industries and customers and, as a result, this year we have obtained a turnover of **13.16 million euros**, the best in our history, a fact that represents an **increase of 81.14%** compared to 2020.

*In order to provide a picture that reflects the real situation of the company, we have **adjusted the EBITDA**, deducting from it the extraordinary expenses that have been incurred in 2021. These correspond to the expenses incurred for the **compensation granted to a managing director**, according to note 15A and the expenses under item 14 of the Profit and Loss Account of the Financial Information published on 29th April 2022.

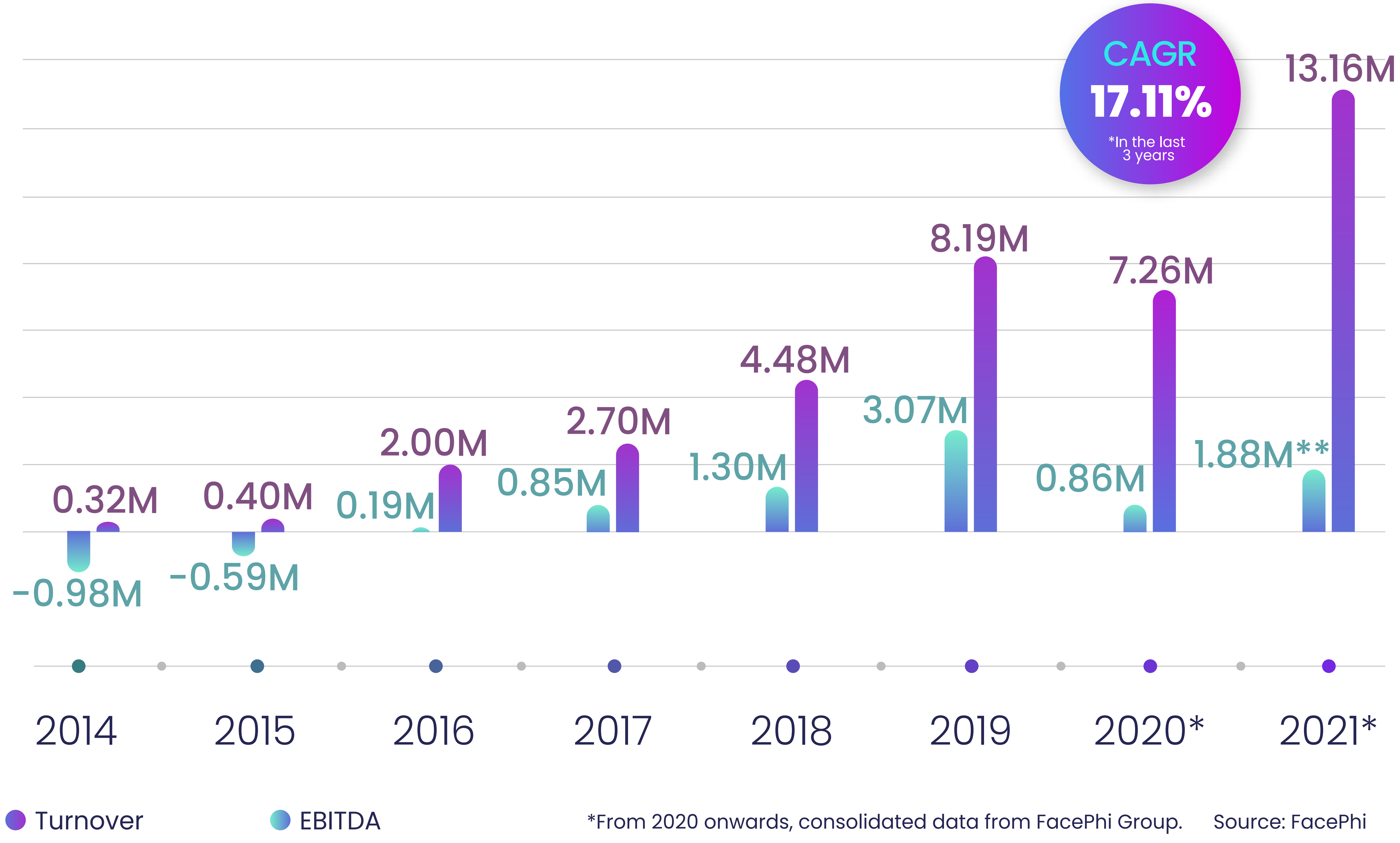
TURNOVER	ADJUSTED* EBITDA	ADJUSTED* EBITDA / SALES
€13.16M	€1.88M	≈14%

Source : FacePhi

EVOLUTION OF TURNOVER AND EBITDA

The global change we have been experiencing for a few years now has led many companies to **accelerate their digitalisation process** and reduce physical interaction. As a result, we have continued working to develop the most secure and complete **Digital Identity verification platform on the market**. A fact that has allowed us to reach more industries and regions, diversifying and expanding our customer base to more than 120 in 2021. This increase in the number of customers has also led to a remarkable growth in our turnover that has **increased by more than 81% this year, to 13.16 million euros**, a milestone in our history.

EVOLUTION BY YEAR (IN MILLION EUROS)



*From 2020 onwards, consolidated data from FacePhi Group. Source: FacePhi

**Adjusted EBITDA, having deducted from the EBITDA the expenses incurred for compensation payments according to note 15.A and the expenses of item 14 of the Profit and Loss Account of the Financial Information published on 29th April 2022.

BALANCE SHEET (000)

	2021 AUDITED CONSOLIDATED	2020 AUDITED CONSOLIDATED	VAR. %
NON-CURRENT ASSETS	€7,879	€4,902	60.75%
NON-CURRENT ASSETS / TOTAL ASSETS	42.93%	30.69%	
CURRENT ASSETS	€10,476	€11,067	-5.54%
CURRENT ASSETS / TOTAL ASSETS	57.07%	69.30%	
TOTAL ASSETS	**€18,335**	**€15,969**	**14.94%**
NET EQUITY	€8,707	€7,017	24.08%
NET EQUITY / TOTAL LIABILITIES + NET EQUITY	47.43%	43.94%	
NON-CURRENT LIABILITIES	€5,150	€6,149	-16.24%
NON-CURRENT LIABILITIES / TOTAL LIABILITIES + NET EQUITY	28.06%	38.51%	
CURRENT LIABILITIES	€4,498	€2,802	60.51%
CURRENT LIABILITIES / TOTAL LIABILITIES + NET EQUITY	24.51%	17.55%	
TOTAL NET EQUITY + LIABILITIES	**€18,355**	**€15,969**	**14.94%**

Source : FacePhi

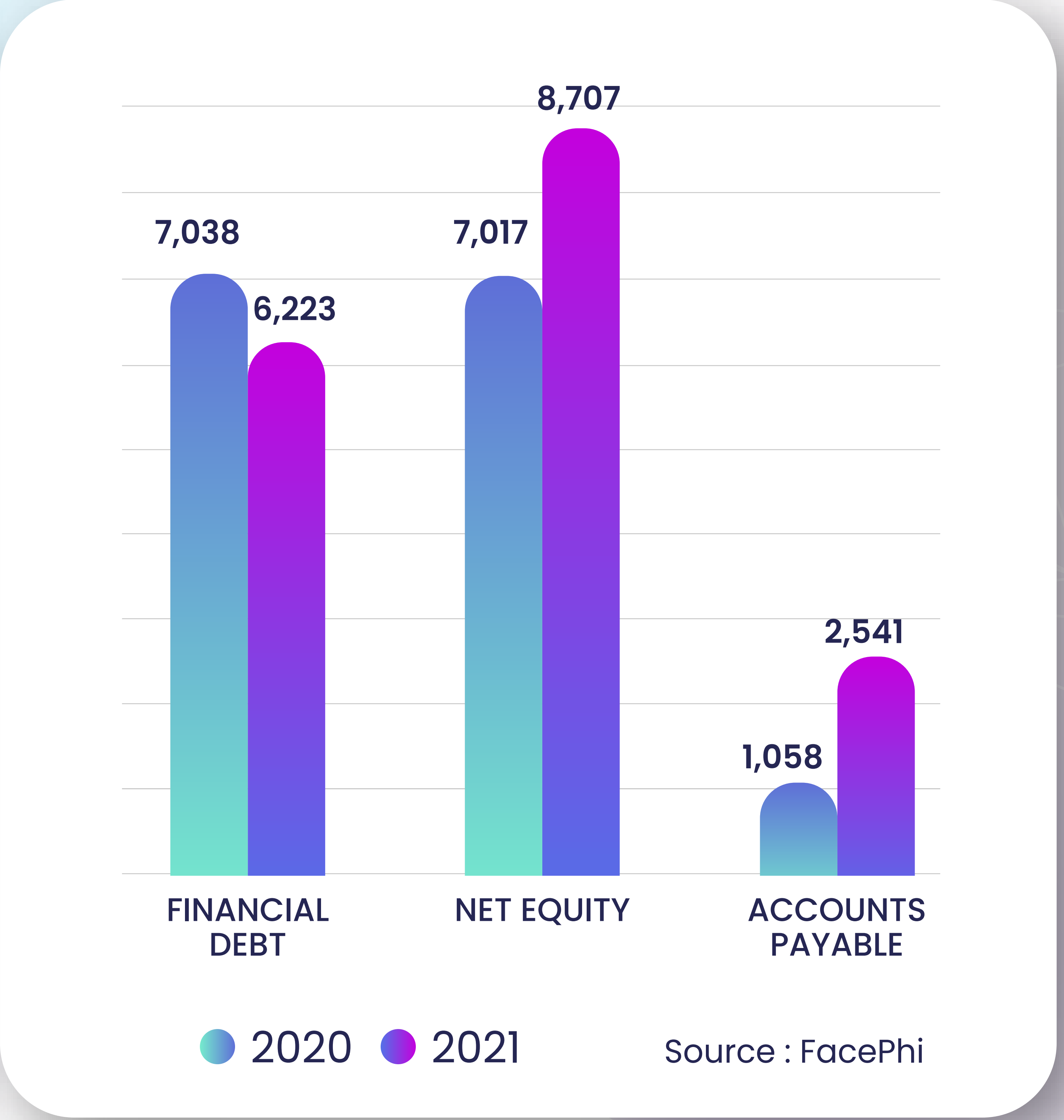
BALANCE SHEET (000)

During 2021, and in order to obtain the necessary financing to continue with our **expansion plans**, we increased capital through a financial operation with Nice and Green. This has led to a 24% increase in **equity**, enabling us to invest resources in R&D and technology development, increasing **intangible assets** by more than 25%

On the other hand, we have managed to reduce **financial debt** due to the **amortisation of loan capital.**

ASSETS

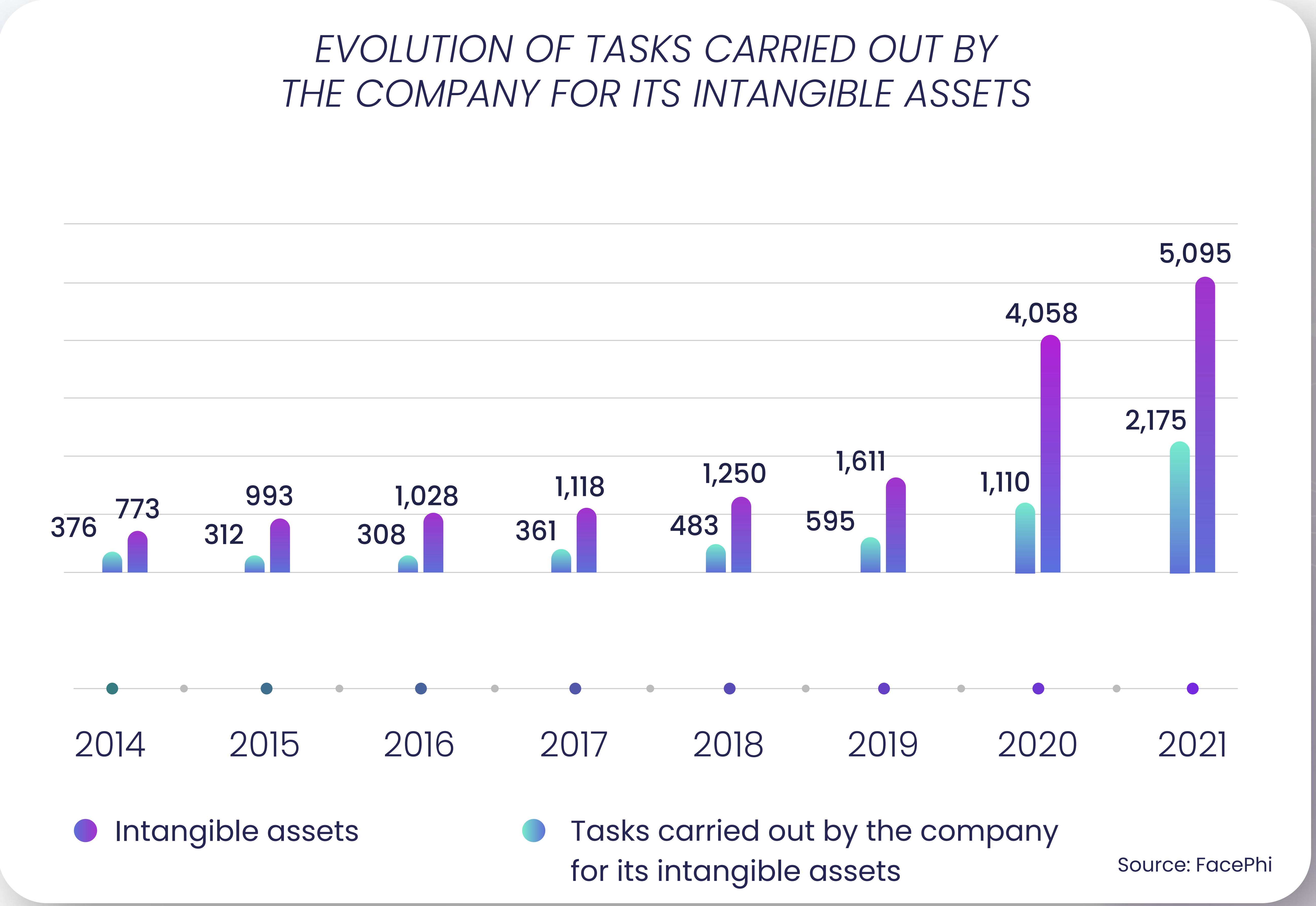
LIABILITIES AND EQUITY



BALANCE SHEET (000)

Over the last few years, we have significantly **increased our investment in technology development** in order to stay at forefront of a demanding and constantly developing industry.

This trend has been reflected in the strong growth of the company's **intangible assets**, which mainly consist of all the technological solutions we have developed.



PROFIT AND LOSS (000)

In the financial year 2021 we achieved a **great increase in our turnover**, achieving a net revenue of €13.16M. We have renewed contracts, extended existing ones and significantly increased the number of new clients. In addition, and in order to accelerate our growth, at FacePhi we decided to **invest in personnel**, and as a significant part of is dedicated to R+D, it is a **capitalisable investment effort for more than €2M** (doubling the previous year´s figure).

On the other hand, there was an increase in other operating expenses largely due to the **investment in commercial equipment**, associated with the hiring of sales representatives in different countries, the growth of our team in Latin America and the amount of sales commissions.

The financial result also improved significantly compared to 2020 even with the financial expenses derived from the syndicated loan. This was offset by a **59.7% reduction** in the result of the fair value change in financial instruments of the Nice & Green transaction which has no impact on equity and by the positive exchange rate development.

We maintained a positive EBITDA figure, thanks to the **significant increase in revenues** which offset the increase in expenses to strengthen our structure. This shows the positive effects of operating leverage on results.

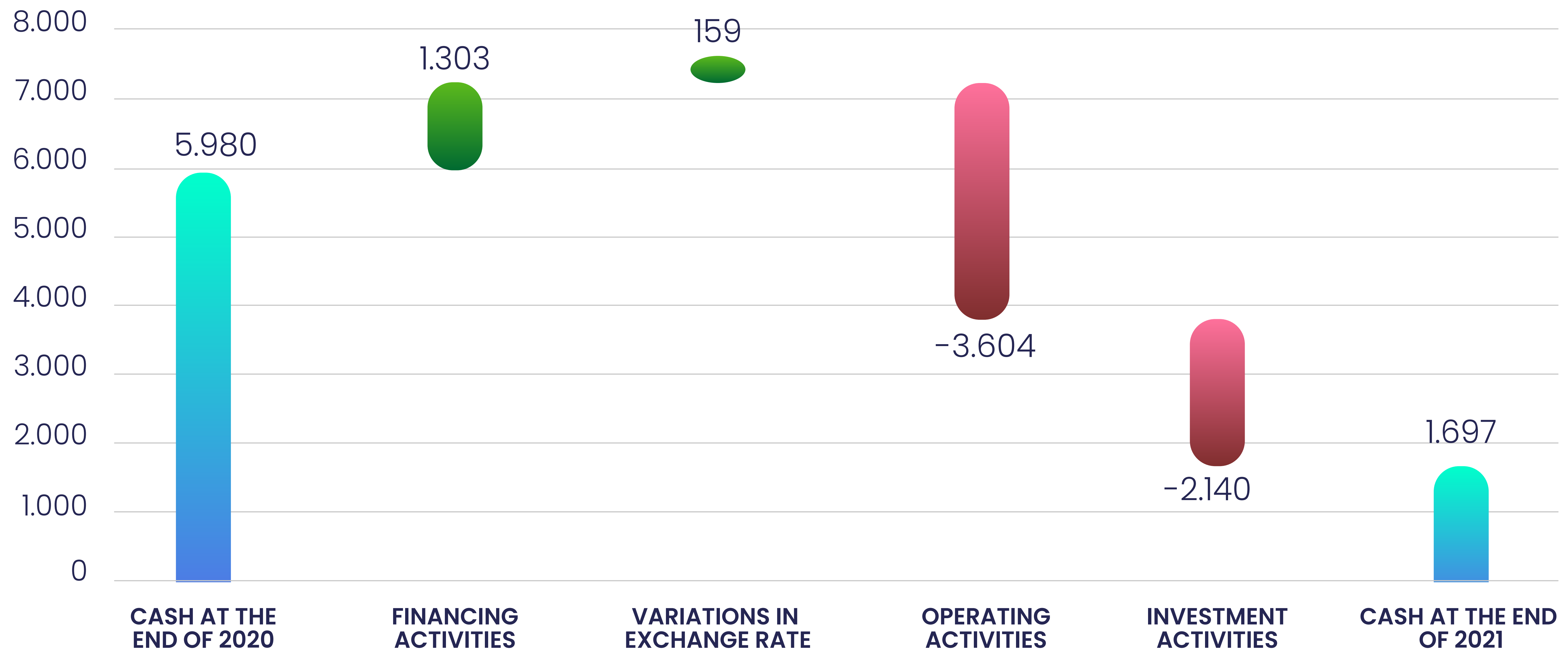
	2021 AUDITED CONSOLIDATED	2020 AUDITED CONSOLIDATED	VAR. %
TOTAL REVENUE	**€15,337**	**€8,377**	**83.1%**
Net revenue	€13,162	€7,266	81.1%
Tasks performed by the company for assets	€2,175	€1,110	96.0%
TOTAL EXPENSES	**€-14.579**	**€-7.518**	**93,9%**
Procurements	€-1,878	€-1,404	33.8%
Personnel expenses	€-7,265	€-3,186	128.0%
Other operating expenses	€-5.554	€-3,040	82.79%
Other results	€118	€113	4.4%
EBITDA	**€758**	**€859**	**-11.8%**
Adjusted EBITDA*	€1,878		
Depreciation of Fixed Assets	€-1,285	€-840	52.9%
Losses, impairment and variation in provisions	€-75	€-384	-80.4%
EBIT	**€-602**	**€-365**	**65.1%**
Financial income	€0	€173	-99.8%
Financial expenses	€-390	€-129	202.2%
Variation in fair value of finncial instruments	€-381	€-944	-59.7%
Exchange rate differences	€317	€-454	-169.9%
Impairment losses and income from diaposal of financial instruments	€201	€-283	-171.2%
FINANCIAL RESULT	**€-252**	**€-1,637**	**-84.6%**
Profit before tax	€-854	€-2,002	-57.4%
Income tax	€299	€147	103.7%
CONSOLIDATED INCOME FOR THE PERIOD	**€-554**	**€-1,855**	**-70.1%**

***Adjusted EBITDA, having deducted from the EBITDA the expenses incurred for compensation payments according to note 15.A and the expenses of item 14 of the Profit and Loss Account of the Financial Information published on 29th April 2022.*

Source : FacePhi

CASH FLOW (000)

The cash flow statement shows how cash on hand was reduced during 2021 mainly due to the **expenditure incurred in operating activities** as a result of changes in working capital and interest payments. On the other hand, it was also caused by the **investment in R&D for our intangible assets.**

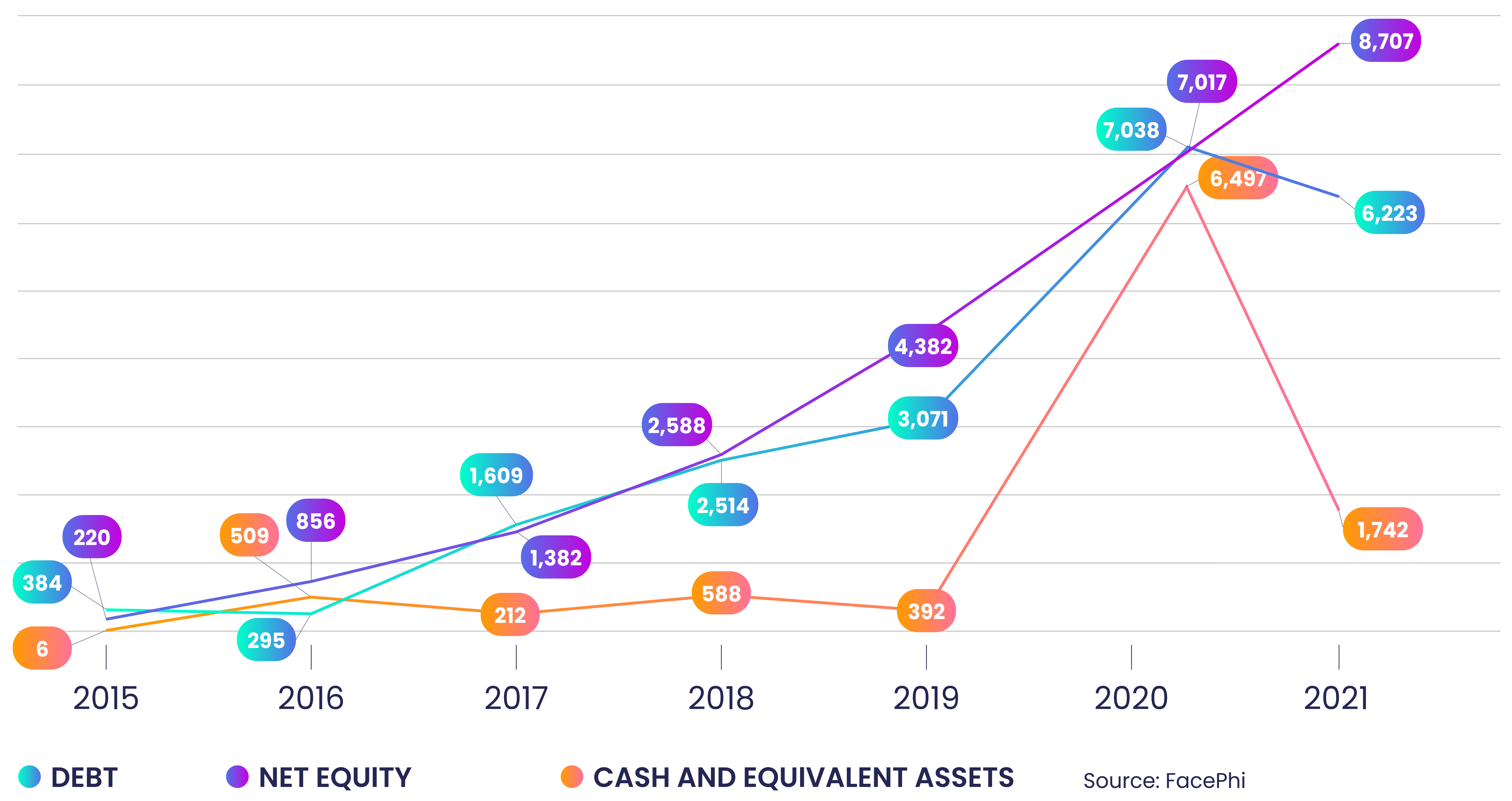


Source: FacePhi

FINANCIAL DEBT (000)

In 2021, there was an increase in **equity**, a decrease in financial debt and in effective and cash equivalents due to the **investment in talent.**

EVOLUTION OF DEBT VS NET EQUITY



Source: FacePhi

RATIOS

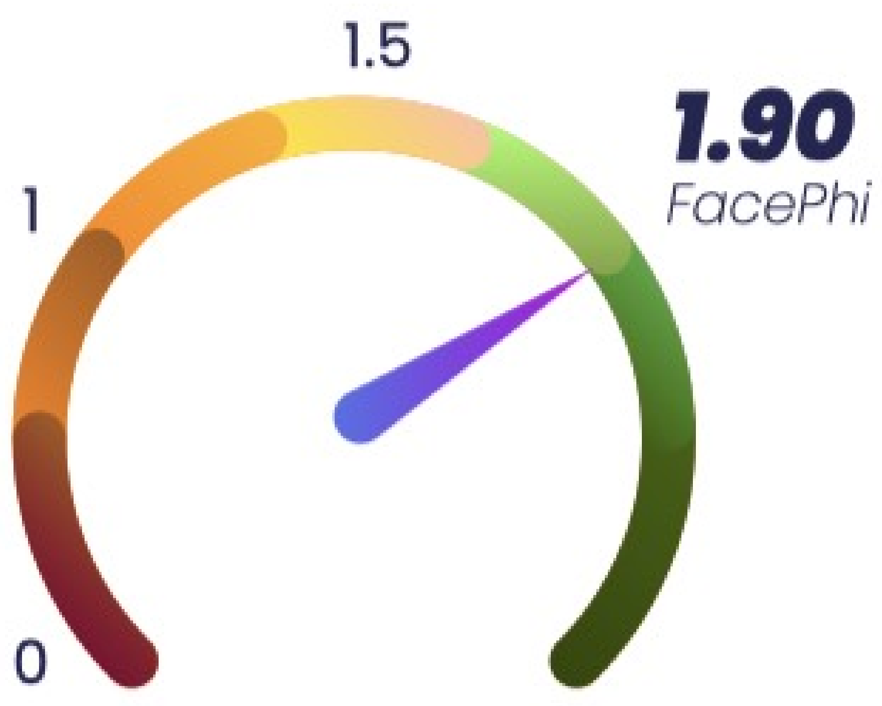
WORKING CAPITAL

€5.98M

CASH FLOW RATIO*

*Current assets / current liabilities

SOLVENCY RATIO*



*Total assets / total liabilities

FINANCIAL AUTONOMY RATIO*

*Net equity / total liabilities

CONCLUSIONS

2021 : OUR BEST YEAR

TECHNOLOGY

We released the most complete **identity verification** solution on the market, which will power our **growth and expansion** throughout 2022 and beyond.

BUSINESS

The **great adaptability of our technology** has allowed us to apply our solutions in different types of companies regardless of their size or industry in which they operate, making us their **best ally to verify the identity of users** in the fastest and safest way.

GROWTH

This is the right time to **strengthen our sales team** and foster our **alliances with partners** to drive the expansion of our technology to **more regions, industries and customers.**

SUCCESS

2021 has been **our best year ever**. A period full of successes and good news that is reflected in the **more than 80% increase in our turnover.**

φFacePhi

Beyond Biometrics