MAKING GREAT MEMORIES

2021 Annual Report

Santa Fe
grupo | hotelero

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CORPORATE PROFILE

We are one of the leading companies in Mexico's hotel industry, with a focus on acquiring beach and urban hotels in the main domestic tourist destinations, converting property use, and operating and developing in promising locations. Our current platform includes our own brands: Krystal Grand, Krystal Resorts, Krystal Beach y Krystal Urban, and franchises and brands licensed by Hilton, Hyatt, SLS and Accor, among others.

The diversity of our hotel portfolio results in higher revenues and income stability, due to the counter-cyclical seasonality between urban and beach hotels. This diversity also allows us to make cross sales among our client base.

Our management team has a long trajectory of success in Mexico's hotel industry, with combined experience of more than 100 years. Together the team has acquired, operated, and developed more than 12,000 rooms in Mexico and Latin America. Our operating model is defined for a dynamic and effective commercial strategy, as well as by the multi-functional efficiency of our personnel and strict expense control, which allows us to adapt quickly and to anticipate the industry's changing needs.

Our strategy includes growing our hotel platform in Mexico, prioritizing the Krystal brand, and targeting the country's main markets in four-star, five-star, and Gran Turismo hotels. We also focus on managing our hotel portfolio efficiently, and bolstering sales and income growth by efficiently optimizing our assets.

MISSION

To provide our guests and clients with enjoyable and unforgettable experiences, through employees who are passionate about providing quality service. Together with good management, this allows us to generate the profitability expected by our partners, shareholders, and investors.

VISION

To be recognized as one of the best hotel companies due to our high profitability, professional ethics and trust, and quality products and services, with employees who are proud to be part of the group.

OUR COMPANY

Grupo Hotelero Santa Fe has been operating since 2010. Eleven years on from the creation of GHSF, we have found that one of the keys to our success is our operating model, which is founded on a dynamic and effective commercial strategy, as well as multi-functional efficiency and strict expense control, allowing us to meet the industry's varying demands.

One strategy we pursue is to acquire and incorporate hotel assets that have strategic value, and that offer potential long-term growth and profitability in various markets.

We have our own brand - Hoteles Krystal - and we invest in, integrate, and operate other widely recognized brands such as Hilton, Ibis, Hyatt, Curio, and Breathless. In 2021, we had a total of 22 hotels in operation, and 6,417 rooms.

HOTELES KRYSTAL

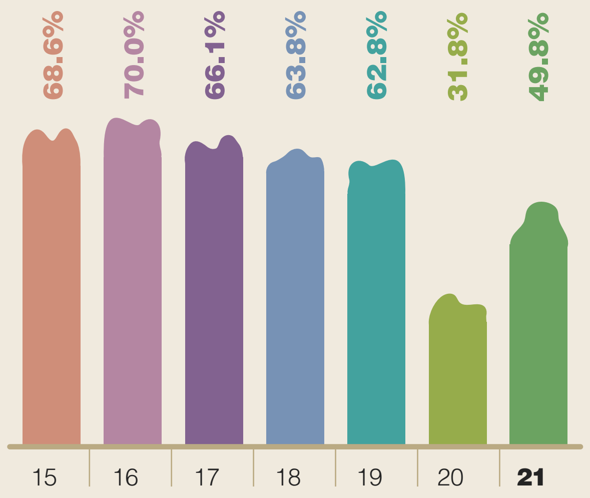
Our own brand, Hoteles Krystal, is divided into three segments: Krystal Grand, Krystal Hotels & Resorts, and Krystal Urban. The chain is recognized in Mexico and worldwide for providing unique experiences for families, friends, romantic get-aways, and business travelers.

Over the years we have continued to expand our presence and portfolio, with a total of 27 hotels in 15 states throughout Mexico.

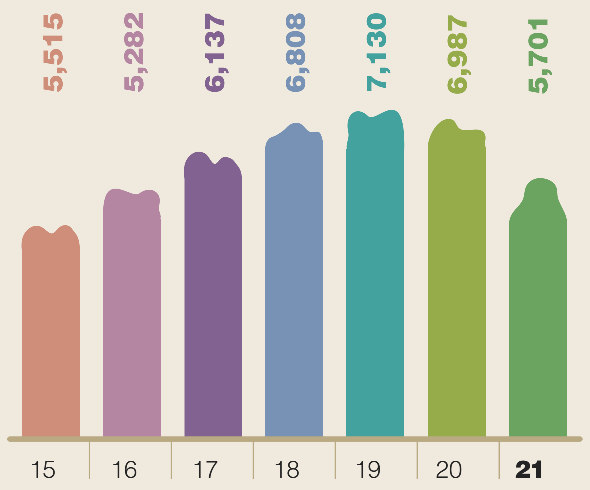
KEY FIGURES

INCOME STATEMENT	2021	2020	% Var.
Numbers in thousands of pesos			
Room revenues	871,627	499,678	74.4
Revenues from food and beverages	666,055	415,549	60.3
Other hotel revenues	166,939	123,698	35.0
Third-party hotel management fees	55,931	31,610	76.9
Total revenues	**1,760,553**	**1,070,535**	64.5
Operating costs and expenses	909,663	624,878	45.6
Administrative & sales expenses	415,650	359,691	15.6
Other expenses	34,585	38,980	(11.3)
Depreciation	265,058	236,451	12.1
Total costs and expenses	**1,624,956**	**1,260,000**	29.0
Total non-recurring expenses	**65,917**	**37,508**	(33.2)
EBITDA	**400,655**	**46,986**	NA
EBITDA margin (%)	22.8%	4.4%	18.4 pt
Operating income	**69,680**	**(288,132)**	NA
Operating income margin (%)	4.0%	(28.7%)	30.9 pt
Net financial cost	**(179,422)**	**(241,578)**	(25.7)
Income tax	(75,605)	(9,271)	NA
Net income	**(33,412)**	**(521,181)**	(93.6)
Net income margin (%)	(1.9%)	(48.7%)	46.8 pt
Income attributable to:			
Company owners	(141)	(398,911)	(100.0)
Non-controlling stake	(33,271)	(122,270)	(72.8)

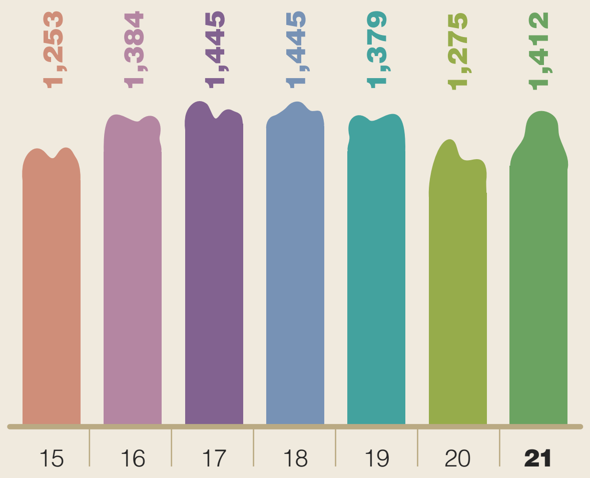
OCCUPANCY



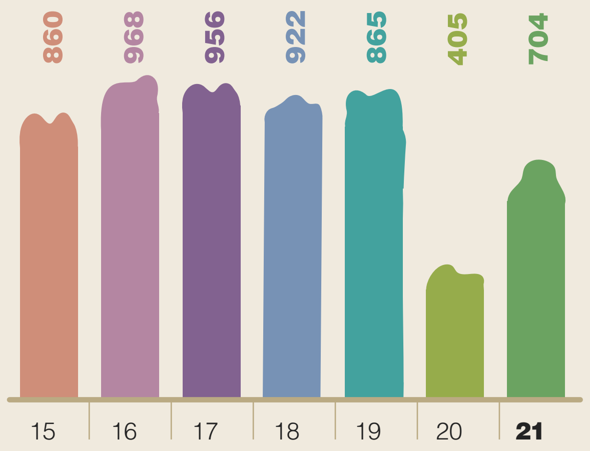
TOTAL NO. OF ROOMS



AVERAGE DAILY RATE (ADR) Pesos



REVENUE PER ROOM AVAILABLE (RevPar) Pesos



MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Although 2021 began with significant challenges for Mexico's hotel industry, we benefited from greater tourist activity after worldwide vaccination began in April. Our numbers started improving, and a stronger summer was followed by an excellent year-end. Our beach hotels performed better than our urban hotels, as domestic business travelers returned at a slower pace than tourists. Thanks to our diversified portfolio, support from our employees, and efforts to reduce costs and expenses, our results in this recovery year were outstanding.

During the first quarter of the year we signed an operating contract with the luxury lifestyle hotel SLS Cancún, located in the exclusive Puerto Cancún area. This hotel has 45 luxury suites, 126 residential units, Restaurant Leynia, Ciel Spa, and a latest-generation workout facility. The hotel was designed by award-winning architect and designer Piero Lissoni, and developed by Related Group, Inmobilia, and U-Cali.

With our solid financial position, we are poised to capitalize on future opportunities. The Company's expansion plan is solid and in line with our strategy; we are very clear about our focus on disciplined growth, adding value at each property we integrate into our portfolio.

Carlos Gerardo Ancira Elizondo

Chairman of the Board of Directors

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

[102-14, 102-15]

Dear Shareholders and Board Members:

The year 2021 was one of recovery for the tourism industry in Mexico and worldwide. Resort hotels performed better than expected, and were a significant factor in our strong EBITDA, which was 8.5 times higher than in 2020. Urban hotels have also recovered, although at a slower pace, as domestic business travel has not yet returned to pre-pandemic levels.

I would like to reiterate that we will remain focused on prudently handling the unprecedented environment the pandemic continues to create, which means: i) continuing to fully comply with health and safety measures to prevent the spread of COVID-19 at our properties; ii) providing COVID-19 antigen tests at no charge at all of our resort hotels; iii) maintaining strict expense control measures to preserve liquidity levels; and iv) continuing to look for operating and financial opportunities to ensure the long-term sustainability of our business.

In conclusion, I would like to note that none of these achievements would have been possible without the support of our dedicated colaborators, our experienced management team, and the confidence that you, our investors, have continued to show us. I would like to particularly express my gratitude to our more than 3,200 employees who have supported the Company unconditionally, not only with their excellent work, but also with their formidable will to ensure the Company's successful emergence from the pandemic. As always, we are profoundly grateful for the trust and support of our shareholders, particularly in challenging times like these, and once again to all of our exceptionally professional and cooperative teams.

Francisco Medina Elizalde

Chief Executive Officer

27

HOTELS
IN MEXICO

MORE THAN

3,200

EMPLOYEES

6,714
ROOMS

OUR HOTELS

We have **27 hotels** in **15 destinations** throughout Mexico.

In Operation
Under construction

CIUDAD JUÁREZ
Krystal Urban Ciudad Juárez

ZACATECAS
Curio Collection by Hilton Zacatecas

MONTERREY
Krystal Urban Monterrey
Hilton Garden Inn Monterrey Aeropuerto
Krystal Monterrey
AC by Marriot Distrito Armida

AGUASCALIENTES
Hyatt Place Aguascalientes

LEÓN
Hyatt Centric
Campestre León

IRAPUATO
Ibis Irapuato

CANCÚN AND RIVIERA MAYA
Krystal Resort Cancún
Krystal Grand Punta Cancún
Krystal Urban Cancún Centro
SLS Cancún
Secrets Tulum

TABASCO
Hampton Inn & Suites Paraíso, Tabasco

MEXICO CITY AND GREATER METROPOLITAN AREA
Krystal Urban Aeropuerto Ciudad de México
Krystal Satélite María Bárbara
Krystal Grand Suites
Hyatt Regency Insurgentes Mexico City

LOS CABOS
Krystal Grand Los Cabos

GUADALAJARA
Hilton Guadalajara
Krystal Urban Guadalajara

PUERTO VALLARTA
Krystal Resort Puerto Vallarta
Hilton Puerto Vallarta

NUEVO VALLARTA
Krystal Grand Nuevo Vallarta

IXTAPA
Krystal Resort Ixtapa

ACAPULCO
Krystal Beach Acapulco

ACTIVITIES AND SERVICES

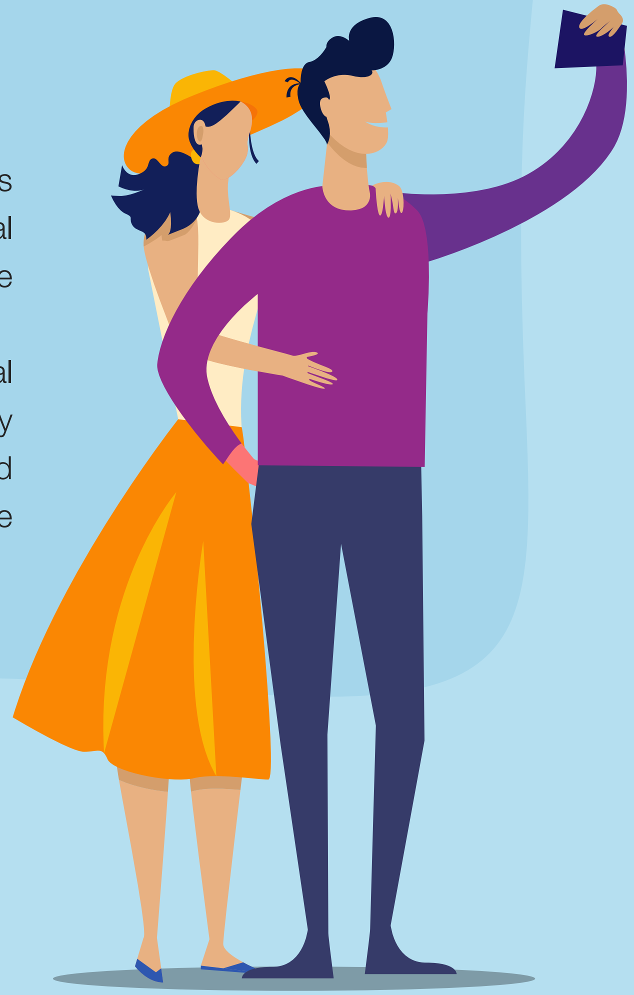
[102-1, 102-2, 102-3, 102-4, 102-6, 102-7]

Our business focus is based on the development, acquisition, and operation of our own and third-party hotels, employing a unique, multi-brand and multi-segment strategy. Our goal is to be a reference in the market, and to provide excellent-quality infrastructure and services for our guests.

OUR SERVICES

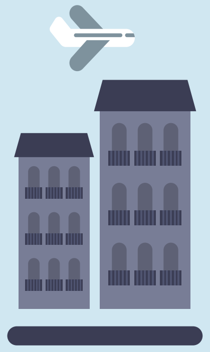
Our Group has hotels in both urban and beach destinations, as well as Gran Turismo hotels with models ranging from European and Continental plans, to all-inclusive resorts. We handle every detail so that we can give every guest the quality, style, and fun they deserve.

Our hotels offer a variety of services, from restaurants with international kitchens —where our renowned chefs prepare truly delightful culinary experiences— to bars, cafés, spa services, boutique stores, excursions, and everything necessary for our clients to have the best possible experience during their stay with us.



PORTFOLIO OF HOTELS

NO.	OWNERSHIP	ROOMS	TOTAL OWNERSHIP	TYPE	CATEGORY	MONTHS IN OPERATION	STABILIZED	CITY	STATE
URBAN									
1	Hilton Guadalajara	450	100%	Urban	Gran Turismo	>36	Yes	Guadalajara	Jalisco
2	Krystal Urban Monterrey	150	100%	Urban	4 stars	>36	Yes	Monterrey	Nuevo León
3	Krystal Urban Cd. Juárez	120	100%	Urban	4 stars	>36	Yes	Ciudad Juárez	Chihuahua
4	Krystal Urban Cancún	246	100%	Urban	4 stars	>36	Yes	Cancún	Quintana Roo
5	Krystal Satélite María Bárbara	215	100%	Urban	5 stars	>36	Yes	Estado de México	State of Mexico
6	Hilton Garden Inn Monterrey Aeropuerto	134	15%	Urban	4 stars	>36	Yes	Monterrey	Nuevo León
7	Hampton Inn & Suites Paraíso Tabasco	117	-	Urban	4 stars	>36	Yes	Paraíso	Tabasco
8	Krystal Urban Aeropuerto Cd. de México	96	-	Urban	4 stars	>36	Yes	Ciudad de México	Mexico City
9	Krystal Urban Guadalajara	140	100%	Urban	4 stars	>36	Yes	Guadalajara	Jalisco
10	Krystal Monterrey	207	-	Urban	5 stars	>36	Yes	Monterrey	Nuevo León
11	Ibis Irapuato	140	-	Urban	3 stars	>36	Yes	Irapuato	Guanajuato
12	Krystal Grand Suites Insurgentes	150	50%	Urban	Gran Turismo	>36	Yes	Ciudad de México	Mexico City
13	Hyatt Centric Campestre León	140	50%	Urban	Gran Turismo	27	In Process	León	Guanajuato
14	Hyatt Place Aguascalientes	144	-	Urban	4 stars	34	In Process	Aguascalientes	Aguascalientes
SUBTOTAL URBAN		**2,449**							
BEACH									
15	Krystal Resort Cancún	502	-	Beach	5 stars	>36	Yes	Cancún	Quintana Roo
16	Krystal Resort Ixtapa	255	-	Beach	5 stars	>36	Yes	Ixtapa	Guerrero
17	Krystal Resort Puerto Vallarta	530	-	Beach	5 stars	>36	Yes	Puerto Vallarta	Jalisco
18	Hilton Puerto Vallarta Resort	451	100%	Beach	Gran Turismo	>36	Yes	Puerto Vallarta	Jalisco
19	Krystal Beach Acapulco	400	100%	Beach	4 stars	>36	Yes	Acapulco	Guerrero
20	Krystal Grand Punta Cancún	398	100%	Beach	Gran Turismo	>36	Yes	Cancún	Quintana Roo
21	Krystal Grand Los Cabos	454	50%	Beach	Gran Turismo	>36	Yes	Los Cabos	Baja California Sur
22	Krystal Grand Nuevo Vallarta	480	50%	Beach	Gran Turismo	>36	Yes	Nuevo Vallarta	Nayarit
23	SLS Cancún	45	-	Beach	Luxury	11	In Process	Cancún	Quintana Roo
SUBTOTAL BEACH		**3,515**							
TOTAL IN OPERATION		**5,964**							
UNDER CONSTRUCTION									
24	Hyatt Regency Insurgentes Mexico City	250	50%	Urban	Gran Turismo			Ciudad de México	Mexico City
25	AC by Marriott Distrito Armida	168	-	Urban	4 stars			Monterrey	Nuevo León
26	Curio Collection Zacatecas	32	-	Urban	Luxury			Zacatecas	Zacatecas
27	Secrets Tulum Resort & Spa	300	-	Beach	Gran Turismo			Tulum	Quintana Roo
TOTAL UNDER CONSTRUCTION		**750**							
TOTAL		**6,714**							

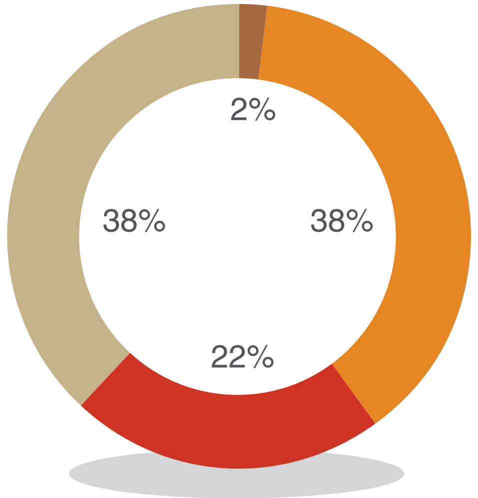


COMPOSITION OF THE

HOTEL PORTFOLIO

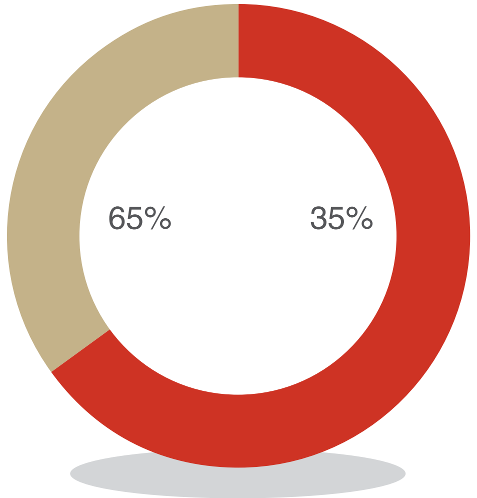
The following graph summarizes the composition of the hotel portfolio in number of rooms in operation and under development (including construction and conversion) at the end of 4Q21:

PROPERTY
(Number of rooms)



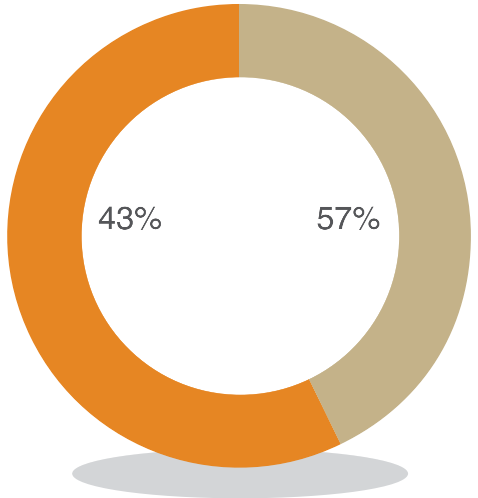
Co-Investment: 134 (2%)
Wholly owned: 2,570 (38%)
50% owned: 1,474 (22%)
Third-Party owned: 2,536 (38%)

BRAND
(Number of rooms)



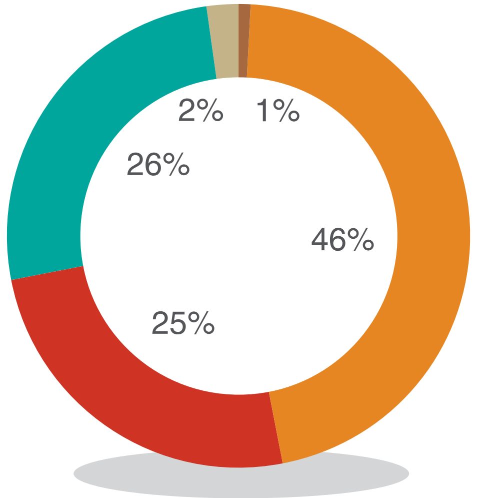
Others: 2,371 (35%)
Krystal: 4,343 (65%)

SEGMENT
(Number of rooms)



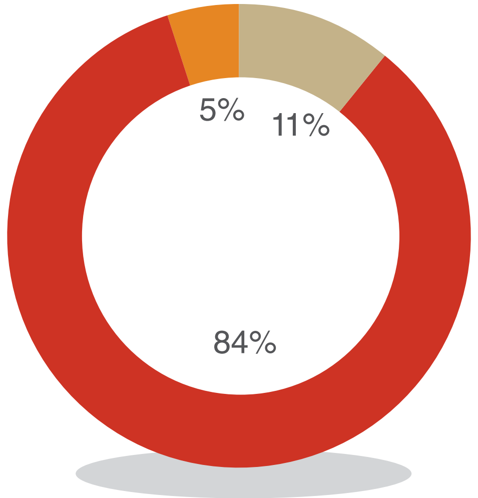
Beach: 3,815 (57%)
Urban: 2,899 (43%)

CATEGORY
(Number of rooms)



3 Stars : 140 (2%)
Luxury: 77 (1%)
Gran Turismo: 3,073 (46%)
5 Stars: 1,709 (25%)
4 Stars: 1,715 (26%)

STABILIZATION PHASE
(Number of rooms)



In process of maturation: 329 (5%)
In development: 750 (11%)
Stabilized: 5,635 (84%)

BRAND SEGMENTATION

KRYSTAL GRAND

OUR WIDEST RANGE OF KRYSTAL HOTELS

We offer a Gran Turismo experience, with products and services of the highest quality for demanding travelers. It is the benchmark in every location where there is a Krystal Hotel.

Spoil Yourself

KRYSTAL
hotel & resort

THE TRADITIONAL KRYSTAL QUALITY

Krystal's five-star hotels are in the main destinations throughout Mexico. With 35 years of history, this brand has undergone significant renovations to its hotels in recent years, and has become a favorite among both Mexican and international travelers. It offers a wide range of alternatives for rest, fun, and business.

Meaningful Travel

KRYSTAL BEACH

FAMILY VACATIONS

This is the brand most focused on family time. It provides unforgettable experiences for the youngest family members. In the four-star segment, it is an extraordinary alternative in beach destinations.

Family Escape

KRYSTAL URBANHOTELS

THE NEWEST EVOLUTION IN THE KRYSTAL FAMILY

Business travelers are ever-more demanding and productive. This type of guest wants to have a modern experience, in unforgettable locations, with personalized service. For this traveler we provide a comfortable and functional product, enabling our guests to make the very best use of their time.

Redefine Business

ETHICAL CULTURE

ANTI-CORRUPTION INITIATIVES

[102-16,102-17 103-1, 103-2, 103-3, 205-1, 205-2]

We have a solid ethical culture at Grupo Hotelero Santa Fe, and we work hard every day to ensure compliance with the law and best business practices. We believe that our people are our greatest strength, thus we strictly comply with integrity protocols.

Honesty and loyalty	We work honorably and truthfully, maintaining the highest professional criteria with our clients, investors, and employees.
Service	We serve with passion, ensuring that our clients enjoy unforgettable moments by exceeding their expectations, and turning their stay into a new lifestyle.
Commitment	We act responsibly, impacting lives positively both inside and outside of the organization, and we contribute by developing sustainably, benefiting the environment and the community.
Profitability	We work hard to obtain the profitability expected by our investors, enabling us to grow together.
Team	We all give our very best, joining forces and multiplying achievements, leading by example, and helping our people develop. We believe in respect for diversity, with barrier-free working conditions.
Efficiency	We do things right the first time around, and we are always looking for creative ideas that have the potential to change and improve our organization.
Enjoyment	We enjoy what we do, and we enthusiastically share our everyday activities. We are proud to have a Mexican ADN, but mostly we are proud of our work, which is a great way to live.

CODE OF ETHICS AND CONDUCT

Our code establishes guidelines so that everyone on our team has solid decision-making tools, which impacts every operation and every stakeholder.

As it is every year, ethics training is a duty for the Company, and in 2021, more than 5,500 employees were provided with 3.272 hours of ethics training, and 3,620 additional hours in anti-corruption training.

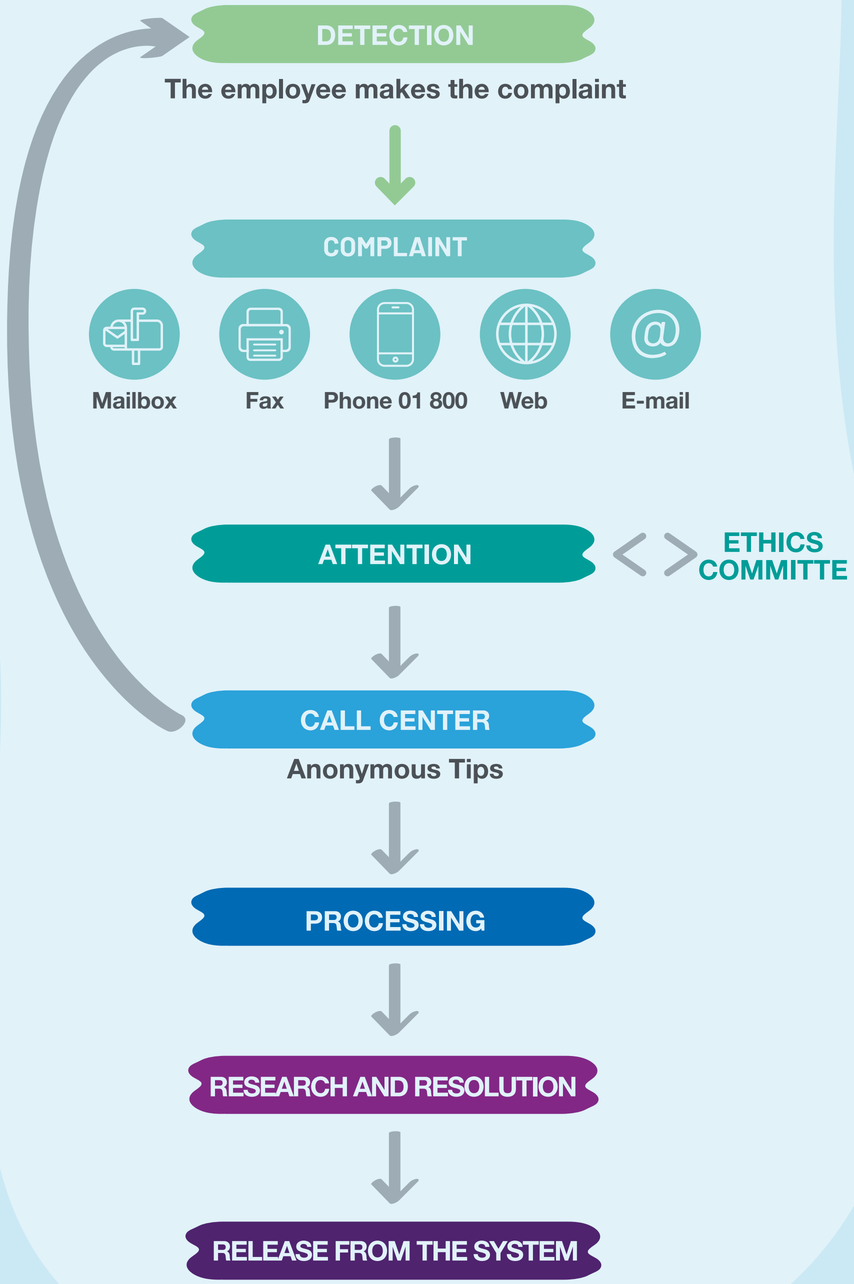
People were also given more than 3,400 hours in gender equality, the environment, and in other Sustainability matte .

ETHICS SYSTEM AND COMPLAINTS LINE

According to best practices, our complaints line is managed by a third party, which guarantees anonymity and process transparency. In this reporting period, 51 ethics complaints were received, and 7 reports with additional information, for a total of 58 cases handled. These complaints were reported on the Ethics Line (Anonymous Tips), which is administered by an external provider.

The following is statistical data on the complaints received during this reporting period:

HOW ARE COMPLAINTS HANDLED?



ANTI-CORRUPTION INITIATIVES

We work in line with the best anti-corruption practices, and during this reporting period we implemented and improved the following initiatives:

FRONT DESK STANDARDIZATION

The objective of the project is to improve internal controls in the Reception area, and enable the timely prevention of activities which, due to their nature, represent an inherent risk to effective management. These protocols also facilitate compliance with the internal programs at each of our hotels. Best practices were determined in order to minimize the probability of identified risks occurring, standardizing the principal activities in the following areas:

a) Reception
b) Nighttime audit
c) Reservations
d) Accounts receivable
e) Revenue audit

Following implementation of the "Front Office Standardization" project, in the second quarter of 2021, GHSF provided 3,657 hours of front office training, divided as follows:

No	DESCRIPTION	NUMBER OF PARTICIPANTS	HOURS	TOTAL HOURS
1	Front Office Standardization for operating systems (Innsist, OnQ, Opera), and standardized supervision formats.	174	2.5	455
2	Implementation of operating practices	137	23	3,202

MONITORING COMPLIANCE WITH MONEY-LAUNDERING PREVENTION

In order to comply with the official provisions of the Federal Law on Prevention and Identification of Transactions using Illegal Funds, during 2021, Grupo Hotelero Santa Fe monitored every obligation of Compliance Officers to adhere to the law's provisions and requirements, which are provided below:

a) Update identification thresholds, and presentation of warnings.
b) Identification of clients and users.
c) Presentation of warnings and reports.
d) Clarification of questions from compliance officers at each hotel.

MYSTERY SHOPPER EVALUATIONS

The objective of the mystery shopper is to conduct periodic evaluations of the honesty of the workers at each GHSF hotel, and to identify weak spots in control, which allows us to prevent embezzlement of funds. Eighteen hotels were evaluated.

The Human Resources department, the Chief Executive Officer, and the Comptroller evaluate the results reported by the Internal Audit Area in order to take steps to correct and prevent future control failures. These measures include:

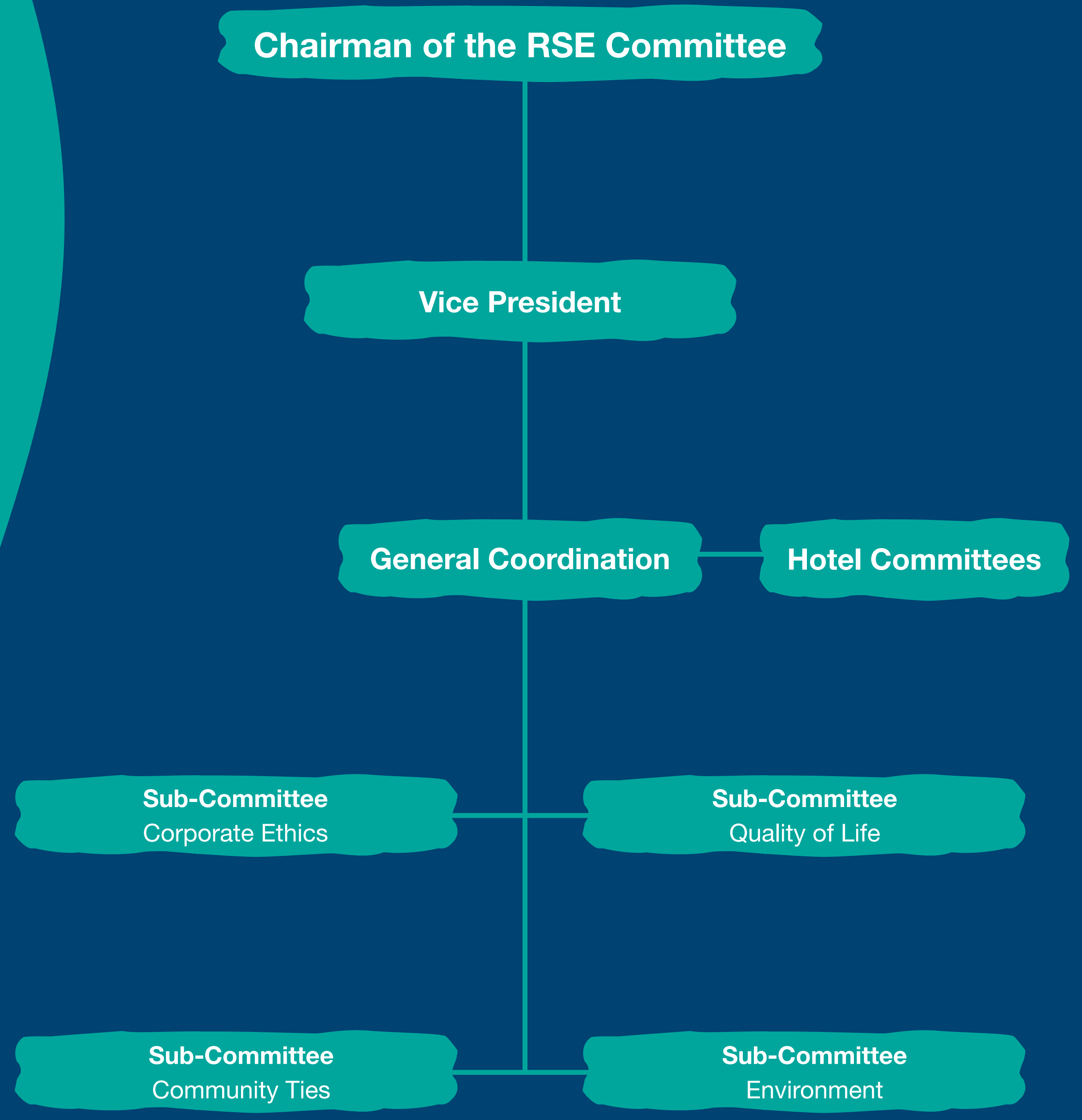
i. Terminating the employment of those who embezzle funds.
ii. Improving supervisory activities through hierarchical supervisory levels (Reception Supervisor, Nighttime Auditor, Revenues Auditor).

OUR SUSTAINABILITY STRATEGY

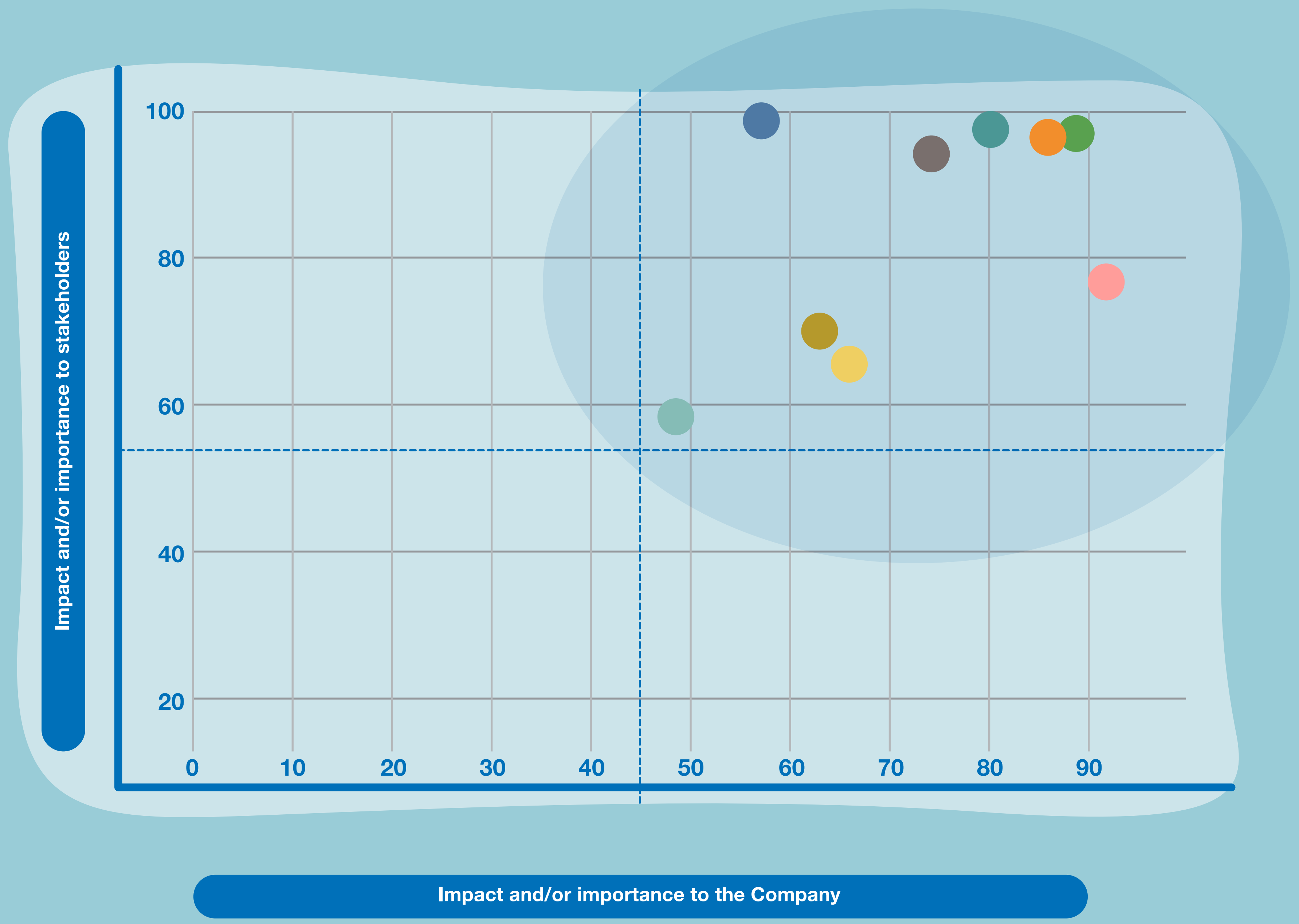
[102-20, 102-21, 102,32, 102-40, 102-43, 102-44, 102-46 102-47]

At Grupo Hotelero Santa Fe, we strive to ensure that our operations comply with the most widely recognized sustainability frameworks and principles. We do this through management and supervisory structures, such as the Sustainability Committee and the Social Responsibility Committees at each of our hotels. While the Sustainability Committee defines the strategies and decisions in these matters, the committees are responsible for implementing initiatives in matters such as quality of life, the environment, ethics, and community ties.

ORGANIZATIONAL CHART OF THE SUSTAINABILITY COMMITTEE



MATERIALITY MATRIX



During this reporting period, our sustainability activities and plans were carried out in line with our 2018 Materiality Study, which helped us identify our impacts, and allowed us to learn about our stakeholders' concerns.

Based on that study, we also designed our sustainability model, based on which we organized our sustainability efforts.

Key Aspects

- Sustainable supply chains
- Working conditions
- Development of the communities where we operate
- Carbon emissions
- Child exploitation and trafficking
- Waste generation and management
- Protecting biodiversity
- Efficient energy use
- Use and protection of water

SUSTAINABILITY MODEL

FOCUS ON

CLIENT SERVICE

Our main objective at Grupo Hotelero Santa Fe is to provide excellent service at each of our hotels. In 2020, due to the COVID-19 pandemic, we developed the Service Standards Manual, which details the processes through which each employee learns about their responsibility in providing personalized attention. They are given an understanding of the role they play in providing quality service, as part of our client-focused culture. During this reporting period we provided 20,153 hours of training in service protocols and quality.

TOOLS TO MEASURE QUALITY OF SERVICE:

- Standards
- Protocols and procedures
- Own internal measurements
- Third-party internal measurements
- Comments from clients

OUR FOCUS

- To always do things right the first time around
- To meet and exceed client expectations
- The quality (properties) of being able to meet the needs of guests

SATISFYING OUR CLIENTS

We are committed to innovating with technological tools so that we can listen to our guests. We currently send out satisfaction surveys through Myhotel, Medallia, and Trust You, which has resulted in the following:

- At our urban hotels, 73% of our guests promote our brands, and would recommend the services we provide.
- At resort hotels, 68% of our guests would recommend our services.

COMMUNICATION WITH OUR STAKEHOLDERS

Communication and dialogue with our stakeholders are fundamental for managing our sustainability strategy. The image to the side shows the channels of interaction and the matters we have identified as being of interest for each group.

STAKEHOLDER	RELEVANT ISSUES IDENTIFIED	TYPE OF INTERACTION
Partners and Shareholders	Economic growth Job creation Ethical matters Reputation Corporate governance ESG	Company's annual financial and sustainability report Quarterly calls and reports Relevant events
Directors	Competitors Job creation Certifications Economic growth Natural disasters Emissions Working conditions Talent retention Reputation Energy savings Community ties	Board of Directors meetings Operating Committee meetings Financial report Sustainability report Mailing
Employees	Working conditions Workday Community support Environmental awareness Turnover Leadership Workplace safety	Employee bulletin Santa Fe News Mailing Training sessions Grupo Hotelero Santa Fe University Platform
Clients	Protecting beaches Volunteering Reforestation Emissions reduction Direct communication in hotels	Web page Digital announcements on hotel screens Relevant events
Providers	Working conditions Local economy Recycling Value chain ESG management	Provider questionnaire Code of Ethics Telephone interviews
Civil society organizations	Biodiversity Climate change Poverty in tourist communities Company-community relationship	Focus groups to understand the community Telephone interviews
Government	Biodiversity Poverty in tourist communities Child labor	Materiality Study meeting

ECONOMIC

In this section we present **Grupo Hotelero Santa Fe's sustainability-focused business impact initiatives,** among which we highlight the economic value created and distributed, the quality of our service, and our hotels' supply chain activities.

ECONOMIC VALUE CREATED AND DISTRIBUTED

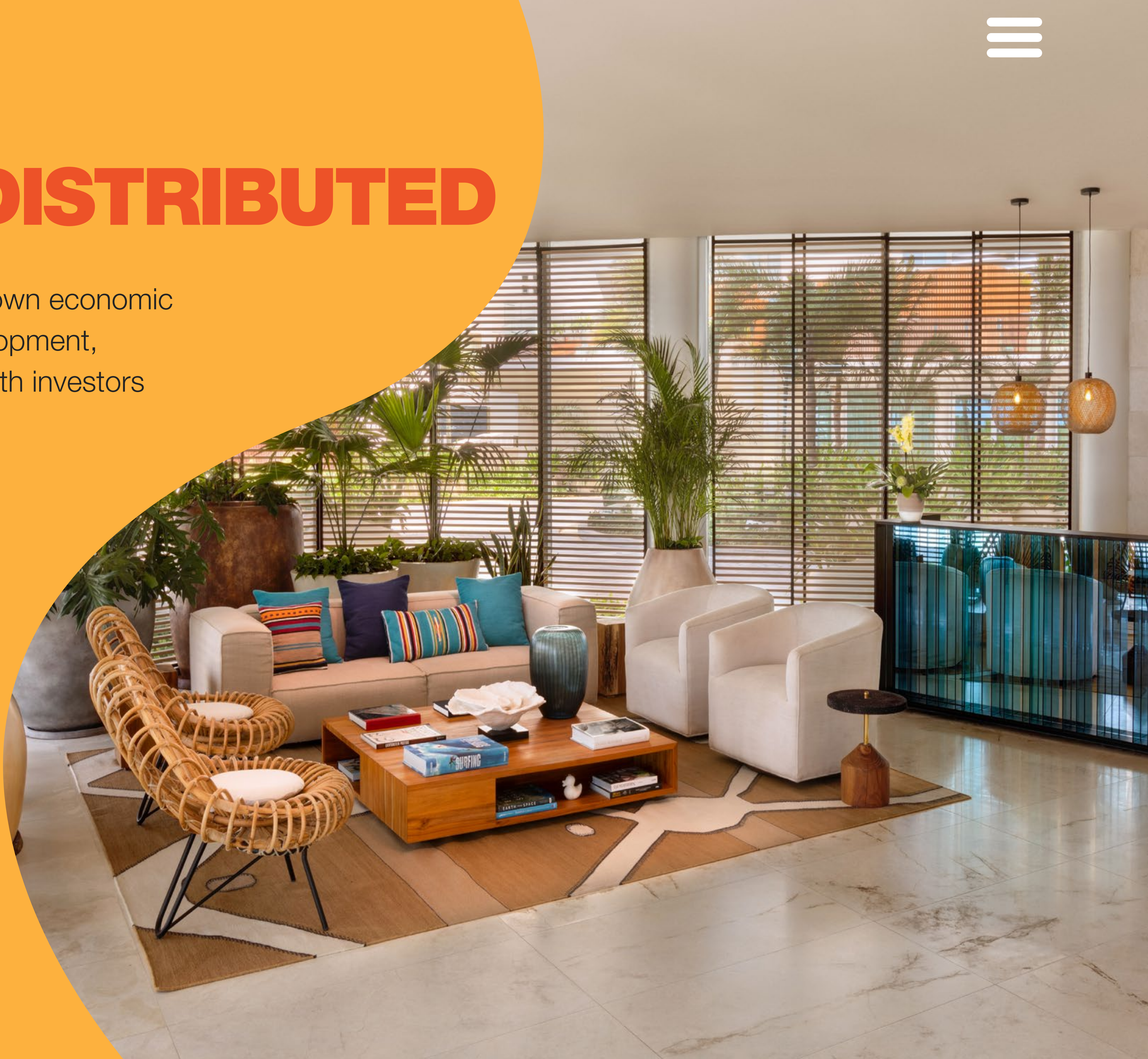
[201-1]

Through our activities we seek to have a trickle-down economic effect by creating jobs and opportunities for development, creating direct and indirect positive impacts for both investors and our various stakeholders.

ECONOMIC VALUE CREATED AND DISTRIBUTED

(In thousands of pesos)

Economic Value Created (EVC)	
Revenues	2,966,949,186
Economic Value Distributed (EVD)	
Costs	1,541,104,381
Wages, salaries, and benefits	779,460,239
Payments to capital providers	175,998,394
Payments to the government	73,292,740
	-
Total VED	2,569,855,754
Total VER	397,093,432



STAY SAFE & CLEAN

In 2021, we continued to successfully implement our Stay Safe & Clean program, which standardizes health and safety protocols based on best international practices. These protocols ensure our clients have a safe stay. Eight of our hotels have a sanitary certification in five modules.

Stay Safe & Clean is the result of an in-depth analysis of domestic and international standards to define cleaning and disinfection activities at all facilities of our hotels, which has led to three major areas of focus:

1. **Protocols:** Stay Safe & Clean is based on standards and measures recommended by Ecolab, to ensure efficient operation and to attain sustainability goals.
2. **Procedures:** Through our alliance with Ecolab, we implemented additional cleaning and disinfection procedures prior to reopening hotels and during their operation, and in periodic processes.
3. **Certification:** We have chosen the company Cristal International Standards to certify our Stay Safe & Clean program, as it provides services based on world-class models.

CRISTAL
INTERNATIONAL STANDARDS

ROOM CHECK	Measures and evaluates the efficacy of room cleaning.
POOL CHECK	Verifies that the water in swimming pools is safe.
AQUA CHECK	Verifies and controls water piping systems.
POSI CHECK	Audit program designed to supervise an effective response to contagious infections.
FOOD CHECK	Measures 255 points of control along the food chain and measures results according to global standards.

DISTINTIVO C

In July 2021, our hotel Krystal Urban Guadalajara, received the Distintivo C, which is awarded to companies that show a genuine interest in improving quality practices in client service in the hotel sector in Guadalajara, Jalisco.

OUR VALUE CHAIN

[201-1]

The value chain is highly relevant for our hotel operations, and for providing each client with a unique experience. At Grupo Hotelero Santa Fe we have developed programs whose objective is to comply with the best sustainability practices impacting our providers.

SUPPLY CHAIN

[103-1, 103-2,103-3, 204-1]

Our supply chain requires that we interact with providers from many business segments. We have Purchasing Committees at all of our hotels, which report to the Auditing Division and the Commercial Division to ensure their activities comply with strict ethical criteria and guidelines. In October, our hotel Krystal Cancún organized a training session on purchasing procedures, with the goal of improving transparency, avoiding conflicts of interest, and encouraging dialogue between the different operating areas and the purchasing department. In 2021, the budget assigned to local providers was 40%.

RECOGNITION AND INITIATIVES IN

SUSTAINABILITY

[102-12]

UNITED NATIONS GLOBAL COMPACT

For four years we have reaffirmed our commitment to labor, social, and economic rights, and to the 10 Principles of the Global Compact.

United Nations Global Compact

SOCIALLY RESPONSIBLE COMPANY AWARD

In 2021, for the sixth consecutive year, we were given the Socially Responsible Company Award granted by the Mexican Center for Philanthropy (CEMEFI). With these initiatives we have cemented our commitment with communities, our employees, the environment, and responsible management of the Company.

ESR Empresa Socialmente Responsable

2022 COMMITMENTS

ECONOMIC

CLIENT SERVICE AND REPUTATION

- Maintain the level of quality and service with the improvements necessary to increase the positive perception among our guests.

SUPPLY CHAIN

- Get 80% of our strategic providers to sign the Code of Ethics letter through each hotel's Purchasing Committee.
- Get 25% of our strategic providers to respond to GHSF's Sustainability Questionnaire.
- Train 50% of our local strategic providers in ethical and social responsibility matters.

MANAGING SUSTAINABILITY

- Update the organizational chart of the Sustainability Committee and review its scopes and functions.
- Institutionalize a quarterly meeting of the Sustainability Committee: display the progress and challenges for the sustainability area.
- Involve hotel management in the sustainability program.
- Improve the information quality of the indicators reported to GRI.
- Have our Sustainability Report verified by a third party.

SOCIAL

At Grupo Hotelero Santa Fe we seek to have a positive social impact, particularly with respect to our employees. We therefore have policies and initiatives to improve their well-being and to comply with labor and human rights.

OUR EMPLOYEES

[102-8, 103-1, 103-2, 103- 3, 401-1, 401-2]

After the impacts the hotel sector suffered from COVID-19, 2021 was a year of recovery. As the situation has continued to normalize, we have been rehiring for the jobs that were lost as a consequence of hotel closures and low tourist occupancy. We are now close to having the same number of employees that we had prior to the pandemic, with a total of 3,252 employees this year.

EMPLOYEES (2021)

Year	Total
2019	3,702
2020	2,832[1]
2021	3,252

BY GENDER AND AGE GROUP

Women		Men	
18 to 30 years old	456	18 to 30 years old	636
30 to 50 years old	608	30 to 50 years old	297
+ 50 years old	716	+ 50 years old	539

1. The reduction in personnel is tied to the temporary close of operations due to COVID-19.

MONTHLY TURNOVER RATE BY GENDER AND AGE GROUP IN 2021

Gender	Age	2019	2020	2021
Women	18 to 29 years old	5.13%	11.06%	11.18%
	30 to 45 years old	3.45%	10.93%	10.53%
	Older than 46 years old	1.26%	2.05%	10.20%
Men	18 to 29 years old	5.49%	11.70%	9.78%
	30 to 45 years old	4.21%	10.29%	6.40%
	Older than 46 years old	1.06%	2.01%	7.79%
Overall turnover rate [2]		3.43%	8.01%	9.31%

2. Personnel Turnover Rates were corrected for 2019 and 2020.

MONTHLY TURNOVER RATE BY GENDER AND AGE GROUP IN 2021

Type of Contract	Women	%	Men	%	Total
Temporary	823	42	1143	58	1,980
Full-Time	538	42	748	58	1,272
Total by gender	**1,361**	**42**	**1,891**	**58**	**3,252**

In 2020 and 2021, we saw a higher turnover rate due to the effects from the pandemic. We are now focusing on stabilizing turnover, and keeping it close to 2019 levels. According to the most recent numbers reported, during 2021 there were 3,252 new hires; 39.5% of our personnel are full-time, while 60.5% are part-time. We would like to highlight the fact that we provide the same benefits to both full-time and part-time employees.

WORKING

CONDITIONS

[102-41, 103-1, 103-2, 103-3, 401-1, 401-2, 402-3, 403-1, 403-3, 403,4, 404-1, 404-2, 404-3]

To acknowledge the hard work of the employees at the Krystal Grand Los Cabos hotel, an Italian-themed meal was organized; 120 employees attended this fun event.

A SPECIAL DAY

Con el objetivo de agradecer el esfuerzo de los empleados del hotel Krystal Grand Los Cabos, se organizó una comida con el tema Italia, a la que asistieron 120 colaboradores y que sirvió para salir de la rutina.

FREEDOM OF ASSOCIATION

At Grupo Hotelero Santa Fe we respect the right to collective bargaining and dialogue with union representatives. All of our collective bargaining contracts comply with the law, and every year we reach labor agreements. In 2021, 57.3% of our employees were affiliated with a union.

WELL-BEING AT WORK

Due to the importance we place on our employees' mental health and well-being, we have several programs, such as the one provided by the Krystal Grand Cancún, which offered stress management training at the workplace, providing valuable self-care tools. The Hotel Krystal Cancún also organized an anger management workshop to help employees manage their emotions better, and the hotel Krystal Beach Acapulco offered a workshop on ways to protect one's family, providing tools to encourage good family relationships.

EMPLOYEE SUPPORT PROGRAM AT THE HOTEL KRYSTAL CANCÚN

Our hotel Krystal Cancún currently has an economic support program to help in special or unexpected situations. In 2021, the program supported the emotional health of two of our employees by paying for therapy. Funds were also provided to purchase medications and to provide other relevant types of support for our people.

PARENTAL LEAVE

We continued to support families in several ways, and in 2021 this was reflected in a higher percentage of employees who were hired and who remained in their positions twelve months after paternity or maternity leave.

PARENTAL LEAVE BY GENDER AND RETENTION

Year	Gender	Number of employees who took parental leave	Number of employees who returned after parental leave	Number of employees who remained after 12 months	Percentage of employees who remained at the company after parental leave
2020	Women	87	82	78	90%
	Men	40	38	35	88%
2021	Women	71	68	65	92%
	Men	28	26	25	89%

BEBÉ KRYSTAL

At the Krystal Beach Acapulco hotel, the program Apadrinando a un Bebé (Sponsoring a Child) has been implemented, welcoming employees' newborns with a care package and gifts.

INTERNAL COMMUNICATION

One important aspect of well-being at work is communication and transparency. To facilitate this, the Company has several corporate tools that keep our employees informed about the Company's most important issues.

Our ongoing quarterly electronic bulletin, "Santa Fe News," has had the hoped-for impact, as it reaches all levels of the organization with content on the objectives, achievements, and challenges of the Company and its employees.

GENDER EQUALITY AND INCLUSION

Of the total number of women in our organization, 14% have leadership positions.

Our commitment to gender equality and inclusion is reflected in the Code of Ethics and the Gender Equality Policy, which we have implemented throughout the Group. Among the noteworthy initiatives in this period was the commemoration of International Woman's Day, organized by our hotel Hilton Garden Inn Aeropuerto. Sixteen employees participated in a roundtable of celebrated women.

TOTAL NUMBER OF WOMEN IN LEADERSHIP POSITIONS AT HOTELS

Supervisors	87	46%
Department Heads	72	38%
Management	32	17%
Total	**191**	**100%**

SALARY RATIO BY WORK CATEGORY AND GENDER

Work Category	Gender	Ratio 2021
Executive Committee	Men	+14.50%
Department Heads	Men	+9.83%
Managers	Men	+7.60%
Unionized	Men	+2.19%

TRAINING

QUALIFICATION

[404-1, 404-2, 404-3, 101-2, 101-3]

Our digital platform, GHSF University, continues to be a fundamental element in the training and qualification strategy for our personnel. In 2021, an average of 19.32 hours of training per employee was provided, and in-person training increased due to the reduction in pandemic-related restrictions. And to make sure that our employees receive adequate preparation and are trained in transferable skills, since 2015 our policy has established relevant areas of training.

WE WOULD LIKE TO HIGHLIGHT SOME TRAINING COURSES THAT WERE PROVIDED IN 2021:

- Stay Safe & Clean Protocols
- Personal and organizational communication
- Image and non-verbal communication
- Leadership skills
- English classes
- Stress management
- Teamwork
- Management training
- Quality service

MIXOLOGY COURSE

The Hilton Guadalajara hotel organized a mixology course in collaboration with a tequila company, with the objective of training people and providing our clients with fun experiences.

PERFORMANCE EVALUATIONS

Our employees can develop and have enriching careers.

To help achieve this, we have development plans, and annual performance evaluations. During this reporting period, 100% of our employees received evaluation and feedback from their supervisors, identifying the most pressing training needs.

PERFORMANCE BY GENDER

Gender	Percentage
Men	58.1%
Women	41.9%

TRAINING HOURS AND AVERAGE HOURS PER CAPITA 2021

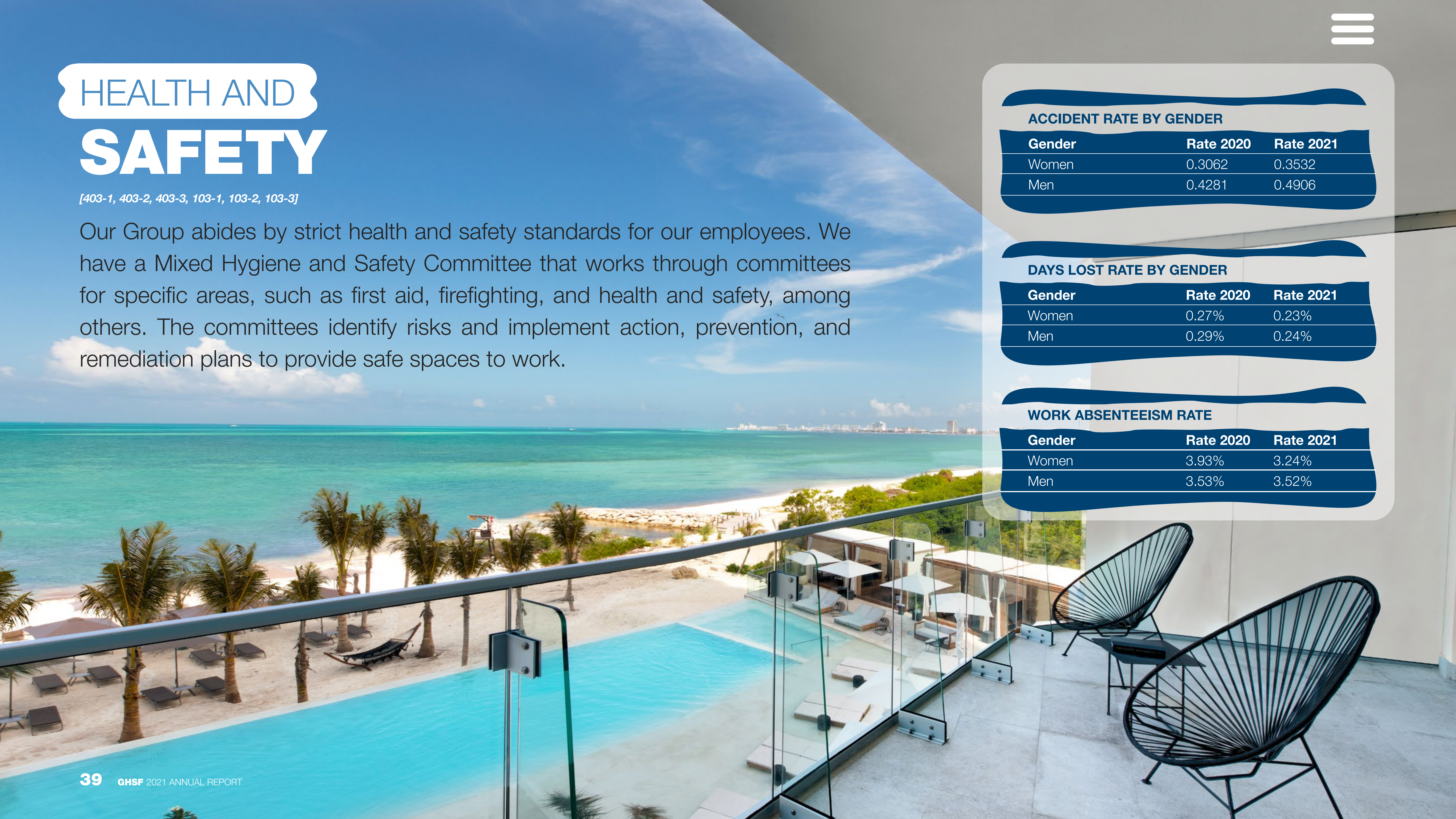
Employees	Hours
3,252	62,810
Average per employee	19.32

TRAINING HOURS BY GENDER

Gender	Hours
Men	8.79
Women	10.53

TRAINING HOURS BY LABOR CATEGORY 2021

Work Category	Hours
Executive committee	8,437
Department heads	10,154
Managers	29,039
Unionized	15,180
Total	**62,810**



HEALTH AND SAFETY

[403-1, 403-2, 403-3, 103-1, 103-2, 103-3]

Our Group abides by strict health and safety standards for our employees. We have a Mixed Hygiene and Safety Committee that works through committees for specific areas, such as first aid, firefighting, and health and safety, among others. The committees identify risks and implement action, prevention, and remediation plans to provide safe spaces to work.

ACCIDENT RATE BY GENDER

Gender	Rate 2020	Rate 2021
Women	0.3062	0.3532
Men	0.4281	0.4906

DAYS LOST RATE BY GENDER

Gender	Rate 2020	Rate 2021
Women	0.27%	0.23%
Men	0.29%	0.24%

WORK ABSENTEEISM RATE

Gender	Rate 2020	Rate 2021
Women	3.93%	3.24%
Men	3.53%	3.52%

In 2021, our employees received a total of 5,005 training hours in health and safety matters, such as firefighting brigades, civil protection, first aid, COVID-19 protocols, evacuation procedures, and hygiene procedures, among others.

As part of our focus on the health of our employees, we supported several preventative health initiatives and campaigns. For example, during this reporting period, our Krystal Beach Acapulco and Krystal Urban Guadalajara hotels organized breast cancer awareness campaigns, encouraging regular checkups. The Hotel Krystal Grand Nuevo Vallarta held a prevention workshop, and organized mammograms for employees. Preventive health campaigns were also organized in collaboration with the IMSS (Mexican Social Security Institute), and workshops were offered in mental health matters.

Grupo Hotelero Santa Fe showed its leadership by taking measures to protect our employees, clients, providers, and creditors from the outset of the pandemic. We were the first hotel company in Mexico to implement sanitary protocols at all our hotels. We reduced costs and expenses, made smaller non-essential CAPEX investments, and we reprofiled our debt, with the support of the banks with which we work.

FRANCISCO ZINSER CIESLIK
Executive Vice President

COVID-19 TESTS

The Krystal Grand Puerto Vallarta hotel signed an agreement with the IMSS to offer its employees SARS-CoV-2 antigen tests in order to prevent propagation of the virus. Through this agreement Human Resources personnel were trained to handle the samples.

VERIFICATION PROCESS IN HEALTH AND SAFETY MATTERS

The well-being and safety of all employees, guests, and visitors is one of the organization's daily objectives, therefore, through a Health and Safety Committee we verify all areas of our hotels in search of issues that might cause accidents or illness. The Committee is comprised of employees from various areas, which allows greater visibility of the risks to evaluate. The roles, working methods, and obligations of the Committee were stipulated when the Committee was formed.

Verification consists of the following tasks:

- Order and cleanliness
- Building (floors, walls, ceilings, hallways, etc.)
- Electricity, water, and gas facilities
- Chemical substances
- Fire (evacuation routes, extinguishers, etc.)
- Signage
- Tools
- Machinery and safety devices
- Personal protective equipment
- Personnel services (bathrooms, dining room, etc.)
- Unsafe acts
- Training needs
- Environmental conditions
- Hazardous conditions

Once verification is finished, a report is prepared that combines the observations, requesting immediate correction and follow-up by the involved departments.

OUR INVESTMENT

IN COMMUNITIES

[103-1, 103-2, 103-3, 412-2, 413-1]

In 2021, our hotels organized activities and initiatives to connect with and support the communities where we operate. Some of the most noteworthy include:

YCI PROGRAM

The Hilton Guadalajara and Hilton Puerto Vallarta hotels have an annual YCI program that provides tools to at-risk students, providing them with training in a well-rounded plan that combines theory and practice, so that they can develop technical skills in a hotel's different departments.

COLLECTION CENTER FOR HURRICANE NORA

The Krystal Grand Nuevo Vallarta hotel, in collaboration with the DIF of Puerto Vallarta, organized a collection center for those impacted by Hurricane Nora. Hotel employees also collected non-perishable food items, and contributed to the campaign by collecting and donating sheets.

SHEET DONATION

This initiative is one of our longest running, mainly benefiting shelters, orphanages, and nursing homes. During this period, the Krystal Urban Nuevo Vallarta and Krystal Urban Juárez hotels donated towels, down comforters, and sheets to an orphanage and a nursing home.

NURSING HOME SUPPORT

The Krystal Ixtapa hotel organized an internal collection drive to make donations to a nursing home. Clothing and shoes were collected, and with the donations from the hotel's employees, a speaker was purchased to brighten the days of the oldest at the facility.

BOTTLE CAP DRIVES

The Hilton Puerto Vallarta Resort collected bottle caps to donate to the organization Ángeles en Libertad A.C., which provides services to at-risk children and adolescents who suffer from severe illnesses. This year 22 kg of bottle caps were collected, which went directly to the organization. Our hotel Krystal Grand Cancún also held a bottle cap drive to benefit the organization Banco de Tapitas A.C., collecting 70 kg of bottle caps.

PROMOTING LOCAL ART AND CULTURE

Several hotels in the Group prepared a space to promote local artists and artisans who exhibit and display their products on weekends.

DAYPASS

In collaboration with the association Todo es Posible A.C., our hotel Krystal Beach Acapulco gave a day pass to at-risk children diagnosed with cancer and their families, so that they could enjoy the facilities and services the hotel offers.

HIGH SCHOOL DUAL-TRAINING AGREEMENT

The Krystal Grand Nuevo Vallarta was one of 11 hotels in the region that signed a collaboration agreement within the framework of implementing a High School Dual-Training System in the state of Jalisco. This agreement will benefit 70 students specializing in hospitality service at school CBTIS 68. The hotel will help train eight students with a program that will rotate them through the various departments.

This agreement will benefit 70 students at school CBTIS 68 specializing in hospitality service.

SOAP DONATION PROGRAM

Working closely with the association Sacando Espuma, we joined their soap-donation campaign. After soap is removed from hotel rooms, it undergoes special processes, creating new cleaning products that are donated to at-risk communities. This helps prevent propagation of COVID-19 and other diseases caused by viruses and bacteria.

2022 COMMITMENTS

SOCIAL

THE QUALITY OF LIFE OF OUR EMPLOYEES

- To maintain health and safety conditions for our work team.
- To continue training 100% of full-time employees in ethics and anti-corruption matters.

THE COMMUNITIES WHERE WE OPERATE

- Based on the Social Impact Study, to continue implementing social and environmental programs in collaboration with corporate and the hotels in each of the 15 states where we operate.
- Have 100% of our hotels sign the National Code of Conduct for the Protection of Children and Adolescents in the travel and tourism sector (SECTUR).

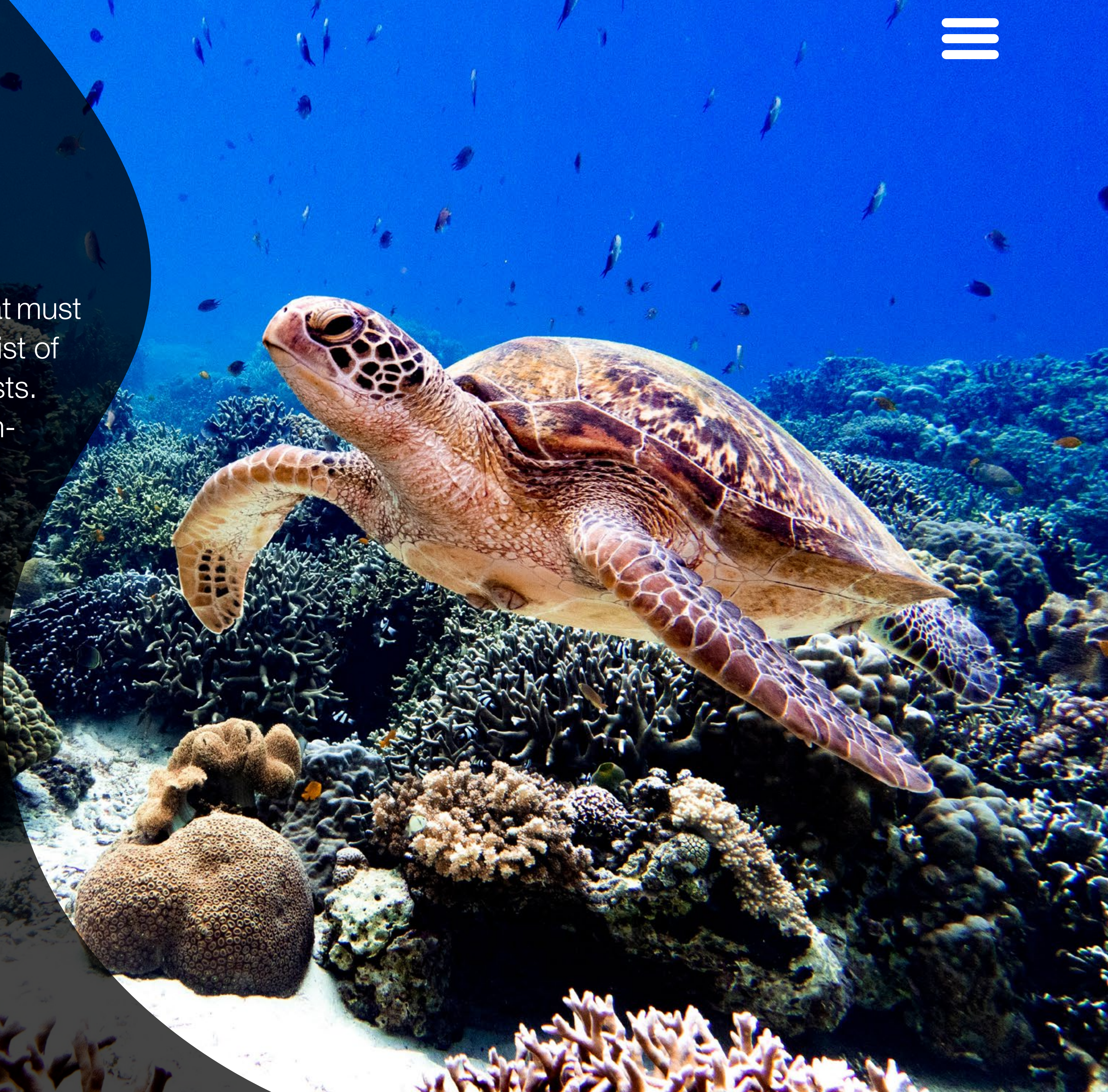
ENVIRONMENT

At Grupo Hotelero Santa Fe, we work hard to decrease our environmental impacts, using resources more efficiently, reducing our carbon emissions, and protecting the areas surrounding our hotels.

PROTECTING
BIODIVERSITY

[103-1, 103-2, 103-3, 314-1, 304-3]

Some of our hotels are located in natural environments that must be protected. We pay close attention to the IUCN Red List of Threatened Species, and Mexico's protected species lists. Our hotels also participate in cleaning and ecosystem-protection activities.



SEA TURTLE PROTECTION PROGRAM

The sea turtle protection program that the Krystal Cancún hotel initiated has been extended successfully to other hotels. During this period, the Hilton Puerto Vallarta Resort organized training for its employees, explaining NOM-162-SEMARNAT-2012 to them, which establishes the specifications for protection, recovery, and management of the sea turtle population in their nesting habitat. Our Krystal Cancún hotel also provided training to its employees on spawning, nesting, hatching, and release of the turtles, and the Krystal Cancún hotel held an awareness campaign for clients on this species that is in danger of becoming extinct, within the framework of International Sea Turtle Day.

We currently protect two species of turtle in the category of danger of becoming extinct: the loggerhead, and the white turtle. We protect around 11,876 eggs, with a hatch rate of 56.5%. Our protection program begins when the turtles arrive on the beach, and continues until the eggs hatch. We facilitate the hatchlings' trip to the surface of the sand and then to the sea, thus increasing their chances of survival.

BEACH CLEAN-UP

In 2021, our hotels Krystal Grand Cancún, Hilton Puerto Vallarta, Krystal Beach Acapulco, Krystal Ixtapa, and Krystal Grand Nuevo Vallarta, held beach clean-up days. These activities resulted in collecting more than 50 kg of trash, and in some cases we worked together with the community and beach sellers.

VISIT TO CALAKMUL

In search of more sustainable products, and to heighten employees' awareness, our employees at hotel Krystal Cancún visited the natural reserve of Calakmul where the cooperative explained how honey is collected.

CLIENT AWARENESS CAMPAIGN

Our hotels regularly organize awareness campaigns on environmental matters. In 2021, talks were given on organic honey and how it is made and gathered. Tree Day and Ocean Day were celebrated, and awareness campaigns were held on the importance of protecting mangroves.

ENERGY EFFICIENCY AND GENERATION OF GREENHOUSE GASES

[103-1, 103-2, 103-3, 302-1, 305-1,]

One of our greatest environmental impacts is energy use. **We therefore focus our efforts on reducing our energy consumption through technology and efficiency initiatives.**

ENERGY CONSUMPTION AND CO2EQ EMISSIONS

We measure our emissions, including energy consumption, at our hotels and consumption from fixed and mobile fuel sources. In 2021, we saw an increase in both indicators due to the increase in operations once tourist visits began to normalize.

ENERGY CONSUMPTION

YEAR	KWH
2019	59,101,277
2020	38,587,426
2021	51,634,838

GREENHOUSE GAS EMISSIONS

YEAR	TONS CO2eq
2019	43,598
2020	25,210
2021	30,078

RESPONSIBLE WASTE AND WATER MANAGEMENT

[103-1, 103-2, 103-3, 303-1, 305-2]

WATER

The hotel sector requires water consumption to operate. We have therefore committed to monitoring and implementing savings initiatives.

Much of our hotel portfolio has water-savings technologies, such as products with LEED certification, and water treatment plants.

Our campaigns to bring awareness to our guests are ongoing, and guests can voluntarily decide to reuse their towels and reduce impacts caused by replacing and laundering them. For this reporting period, our water consumption is shown in the following table. As can be seen, the pandemic and the close of our hotels also impacted water consumption.

WATER EXTRACTION

TYPE OF EXTRACTION SOURCE	VOLUME IN M3 2019	VOLUME IN M3 2020	VOLUME IN M3 2021
Total volume of water extracted by GHSF	1,340,996	725,832	1,125,989

WASTE

Since 2019, the Group has had a complete waste management procedure, which includes coordination of Social Responsibility Committees and the maintenance areas of each hotel. As a result of greater awareness regarding waste generation, during this reporting period our hotels performed the following activities:

WASTE EXCHANGE PROGRAM

In collaboration with the city of Ixtapa, our hotel Krystal Ixtapa performed an exchange of recyclable waste for reusable items and plants, with the objective of acquiring greater awareness about the importance of recycling and separating waste.

RECYCLING CAMPAIGNS

Our hotel Hilton Guadalajara undertook a recycling campaign in 2021 in collaboration with the company Conciencia Verde, which is a recycling company. The items collected were exchanged for money, which was then donated to social organizations. Our hotel Krystal Cancún held another awareness campaign, which focused on the environmental education of the children who participate in the hotel's Kids Club. In this campaign, they were told about recycling, and they made arts and crafts using discarded items such as plastic bottles, and cardboard tubes, among other things.

TRAE TU TAZA CAMPAIGN

To reduce waste, the Krystal Cancún hotel encourages its clients and employees to bring their own cups to avoid one-use items. The campaign was also promoted through the hotel's social networks.

HAZARDOUS AND NON-HAZARDOUS WASTE GENERATED

TYPE OF WASTE	2019	2020	2021
		Kilograms	
Non-hazardous waste	1,481,719	895,375	1,547,606
Hazardous waste	DNG*	19,784	47,389

2022 COMMITMENTS

ENVIRONMENTAL

IMPLEMENT AN ENVIRONMENTAL VERIFICATION PROGRAM

- Evaluate performance at our 27 hotels to develop an efficiency plan in all material matters.

IMPROVE ENVIRONMENTAL MANAGEMENT

- Also improve communication between corporate and the hotels.

IMPLEMENT INITIATIVES

- Improve our energy performance.

WASTE AND VALUE CHAIN:

- Establish communication bridges to develop synergies with providers in reducing waste generation, and support alternatives to final disposal.

UNITED NATIONS

GLOBAL COMPACT

ECONOMIC

Supply chain

Principle 2: Do not be complicit in human rights abuses

Principleo 4: Eliminate all forms of forced and compulsory labor.

Ethical culture

Principle 10: Work against corruption in all its forms, including extortion and bribery.

SOCIAL

Working conditions

Principle 1: Support and respect the protection of internationally proclaimed human rights.

Principle 3: Uphold free association and the effective recognition of the right to collective bargaining.

Principle 4: Eliminate all forms of forced and compulsory labor.

Human rights and protection of children

Principle 2: Do not be complicit in human rights abuses.

Principle 5: Help abolish child labor.

ENVIRONMENTAL

Biodiversity

Principle 7: Support a precautionary approach to environmental challenges.

Principle 8: Undertake initiatives to promote greater environmental responsibility.

Responsible management of water and energy

Principle 7: Support a precautionary approach to environmental challenges.

Principle 8: Undertake initiatives to promote greater environmental responsibility.

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

Energy efficiency and reduction of emissions

Principle 7: Support a precautionary approach to environmental challenges.

Principle 8: Undertake initiatives to promote greater environmental responsibility.

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

THE GLOBAL COMPACT

WE SUPPORT

CORPORATE GOVERNANCE

[102-18, 102-19, 102-20, 102-21, 102-22]

Our Group has solid corporate governance backed by structures such as our Board of Directors, the Audit Committee, and the Executive Committee, which guide the Company and ensure the business runs properly and in line with international best practices.

The Board of Directors, the highest governing body in the Company, is comprised of twelve board members, of whom ten are independent. The various governance structures are presented below:

BOARD OF DIRECTORS

NAME	POSITION	CAPACITY
Carlos Gerardo Ancira Elizondo	Chairman of the Board of Directors	NA
María del Rocío Alarcón Brockmann	Board Member	Independent
Luis Alberto Harvey MacKissack	Board Member	Independent
Arturo José Saval Pérez	Board Member	Independent
Pablo Villanueva Martínez	Board Member	Independent
Jorge Manuel Pérez	Board Member	Independent
Francisco Javier Moguel Gloria	Board Member	Independent
Eduardo Chaillo Ortiz	Board Member	Independent
Jerónimo Marcos Gerard Rivero	Board Member	Independent
Eduardo Diaz Balogh	Board Member	Independent
Enrique Gerardo Martínez Guerrero (1)	Alternate Board Member	NA
Iker Paullada Eguirao (2)	Alternate Board Member	NA
Eduardo Barajas Ramirez (3)	Alternate Board Member	N/A
Jon Paul Pérez (4)	Alternate Board Member	N/A
Maria Patricia Alarcon Brockmann (5)	Alternate Board Member	N/A

(1) Alternate Board Member for Carlos Gerardo Ancira Elizondo.
(2) Alternate Board Member for Arturo José Saval Pérez.
(3) Alternate Board Member for Pablo Villanueva Martinez.
(4) Alternate Board Member for Jorge Manuel Pérez.
(5) Alternate Board Member for María del Rocío Alarcón Brockmann.

AUDIT COMMITTEE

Francisco Javier Moguel Gloria	Eduardo Chaillo Ortiz	Luis Alberto Harvey MacKissack
Chairman (Independent)	Member (Independent)	Member (Independent)

CORPORATE PRACTICES COMMITTEE

Arturo José Saval Pérez	Eduardo Chaillo Ortiz	Jerónimo Marcos Gerard Rivero
Chairman (Independent)	Member (Independent)	Member (Independent)

EXECUTIVE COMMITTEE

Carlos Gerardo Ancira Elizondo	Chairman of the Executive Committee
Francisco Alejandro Zinser Cieslik	Board Member
Eduardo Diaz Balogh	Board Member
Arturo José Saval Pérez	Board Member
Pablo Villanueva Martínez	Board Member
Eduardo Chaillo Ortiz	Board Member
Enrique Gerardo Martínez Guerrero (1)	Alternate Member
Iker Paullada Eguirao (2)	Alternate Member
Eduardo Barajas Ramirez (3)	Alternate Member
Maximilian Zimmermann Canovas (4)	Alternate Member

(1) Alternate Member for any of Carlos Gerardo Ancira Elizondo, Francisco Alejandro Zinser Cieslik or Eduardo Diaz Balogh.
(2) Alternate Member for Arturo José Saval Pérez.
(3) Alternate Member for Pablo Villanueva Martinez
(4) Alternate Member for Eduardo Chaillo Ortiz

MANAGEMENT TEAM

The management team of Grupo Hotelero Santa Fe is comprised of executives who have years of experience in the hotel and tourism sector.

Because of the management team's vast experience, and the willingness and support of its employees, the Group was able to successfully face the adverse effects of the COVID-19 pandemic, a phenomenon that had particular impact on this industry.

CARLOS GERARDO ANCIRA ELIZONDO
Chairman of the Board of Directors

FRANCISCO ZINSER CIESLIK
Executive Vice President

FRANCISCO MEDINA ELIZALDE
Chief Executive Officer

ENRIQUE MARTÍNEZ GUERRERO
Chief Financial Officer

RENÉ DELGADO CHAPMAN
Legal Director

JOSÉ ALBERTO SANTANA COBIÁN
Director of Administration

MAXIMILIAN ZIMMERMANN CANOVAS
Director of Investor Relations

AWARDS AND RECOGNITION

HIGH TECHNOLOGY

This is a recognition of the Group's commitment to offer all of its guests the latest in communication technology and connectivity.

THE HOTELS WITH THIS AWARD ARE:

- Hilton Puerto Vallarta
- Krystal Ixtapa
- Krystal Grand Cancún
- Krystal Puerto Vallarta
- Hilton Guadalajara

AAA 3 DIAMOND AWARD AND AAA 4 DIAMOND AWARD

Granted by the American Automobile Association (AAA) to hotels and restaurants in the USA, Canada, Mexico, and the Caribbean, the AAA Diamond Award certification indicates that the establishment offers the highest standards of luxury, quality, and high-level service.

THE HOTELS THAT HAVE THIS AWARD ARE:

- Krystal Puerto Vallarta
- Hilton Puerto Vallarta
- Krystal Grand Punta Cancún
- Hilton Guadalajara

GOLD CROWN RCI

Gold Crown RCI recognizes developments that have met or exceeded their standards in specific areas and in check-in and check-out procedures, hospitality, maintenance of the development and property as a whole, and cleaning, and it evaluates the complex's facilities.

THE HOTELS THAT HAVE THIS RECOGNITION ARE:

- Krystal Puerto Vallarta
- Krystal Cancún

ABOUT THIS REPORT

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We are pleased to share Grupo Hotelero Santa Fe's third Annual Sustainability Report 2021 with our stakeholders. This document is a sign of how important it is to us not to just track performance indicators in social and environmental matters, but also the importance of communicating those indicators to all relevant parties.

This 2021 report was prepared in conformance with the GRI Essential Standards option, and in compliance with the 10 principles of the Global Compact and Sustainable Development Objectives, both initiatives of the United Nations. The period this report covers is January 1 to December 31, 2021.

Please direct any questions to: Maximilian Zimmermann Canovas, Director of Investor Relations and Sustainability of Grupo Hotelero Santa Fe. Contact email: **mzimmermann@gsf-hotels.com**

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COMMENTS AND ANALYSIS OF FINANCIAL SITUATION

INCOME STATEMENT	2021	2020	% Var.
Numbers in thousands of pesos			
REVENUES			
Rooms	871,627	499,678	74.4
Food and Beverages	666,055	415,549	60.3
Other hotel revenues	166,939	123,698	35.0
Third-party hotel management fees	55,931	31,610	76.9
Total revenues	**1,760,553**	**1,070,535**	**64.5**
COSTS AND EXPENSES			
Operating costs and expenses	909,663	624,878	45.6
Administrative and sales	415,650	359,691	15.6
Building and insurance	34,585	38,980	(11.3)
Depreciation and amortization	265,058	236,451	12.1
Total Costs and Expenses	**1,624,956**	**1,260,000**	**29.0**
Expenses for expansion and new hotel openings	25,619	11,088	NA
Other non-recurring expenses	40,298	87,579	(54.0)
TOTAL	**65,917**	**98,667**	**(33.2)**
EBITDA	**400,655**	**46,986**	**NA**
EBITDA margin (%)	22.8%	4.4%	18.4 pt
OPERATING INCOME	**69,680**	**(288,132)**	**NA**
Operating margin (%)	4.0%	-26.9%	30.9 pt
Interest expense, net	(84,814)	(130,913)	(35.2)
(Loss) income in changes, net	(88,057)	(105,305)	(16.4)
Other financial costs	(6,551)	(5,360)	22.2
Financial costs, net	**(179,422)**	**(241,578)**	**(25.7)**
Stake in results of permanent investments	725	(742)	NA
Earnings before income tax	(109,018)	(530,452)	(79.4)
Income tax	(75,605)	(9,271)	NA
Net income	**(33,412)**	**(521,181)**	**(93.6)**
Margin of net income (%)	(1.9%)	(48.7%)	46.8 pt
Gains attributable to:			
Company ownership	(141)	(398,911)	(100.0)
Non-controlling stake	(33,271)	(122,270)	(72.8)

The Company's Total Revenues increased 64.5%, from Ps. 1,070.5 million in 2020, to Ps. 1,760.6 million in 2021, due to recovery in the tourism industry in Mexico.

Room Revenues in 2021 increased by 74.4%. The number of own rooms in operation remained stable, and the RevPAR increased 73.7%. RevPAR was comprised of occupancy that was 18.1% higher than in 2020, and 10.8% higher in ADR for the year. In 2021, the portfolio of own stabilized hotels increased 43.1% in the number of rooms in operation, with a 73.9% growth in RevPAR. The portfolio of own hotels in the maturation phase decreased 88.6% in the number of rooms, increasing RevPAR by 25.0%.

Revenues from Food and Beverages increased 60.3%, rising from Ps. 415.5 million in 2020, to Ps. 666.1 million in 2021.

The line Other Hotel Revenues, which includes others, room rental, parking revenues, laundry, telephone and commercial rental revenues, increased 35.0%, rising from Ps. 123.7 million in 2020, to Ps. 166.9 million in 2021.

Fees for managing third party-owned hotels increased 76.9% over 2020. The portfolio of managed hotels decreased 11.6% in number of rooms, and increased 74.8% in RevPAR.

The Company sees an opportunity to continue growing through third-party operating agreements, mainly with the Krystal® brand, without significantly impacting its operating structure.

COSTS AND EXPENSES

The Company's total Costs and Expenses increased 29.0%, from Ps. 1,260.0 million in 2020, to Ps. 1,625.0 million in 2021. This increase was driven by growth in revenues from higher hotel activity.

OPERATING INCOME

In 2021, income of Ps. 69.7 million was recorded, compared to an operating loss of Ps. 288.1 million in 2020.

EBITDA

Adjusting Operating Income for Non-Recurring Expenses, Depreciation and Amortization, and the All-In Result of Financing, the Company's EBITDA was Ps. 400.7 million in 2021, compared to Ps. 47.0 million in 2020. This is an increase of 752.7%. EBITDA margin increased from 4.4% in 2020, to 22.8% in 2021.

NET FINANCIAL COST

The Net Financial Cost in 2021 was a loss of Ps. 179.4 million, compared to a loss of Ps. 241.6 million in 2020, a 62.2 million decrease in the loss. That difference is due to lower net expenses on interest, plus a lower exchange rate loss.

NET INCOME

The Company's Net Income decreased from a loss of Ps. 521.2 million in 2020, to a loss of Ps. 33.4 million, or a Ps. 487.8 decrease in losses.

CASH FLOW SUMMARY

Cash flow in 2021 was Ps. 358.5 million, compared to Ps. 93.7 million in 2020. That increase was due to the recovery mentioned previously.

FREE CASH FLOW SUMMARY

Numbers in thousands of pesos

FREE CASH FLOW SUMMARY	2021	2020	Var.	% Var.
Cash flow from operating activities				
Net income	(33,412)	(521,182)	487,770	(93.6)
Depreciation and amortization	265,058	236,451	28,607	12.1
Tax on earnings	(75,605)	742	(76,347)	NA
Loss (income) in unrealized exchanges	71,888	(9,270)	81,158	NA
Net interest expense	84,814	143,615	(58,801)	(40.9)
Other financial costs	6,551	130,913	(124,362)	(95.0)
Non-controlling stake	725	5,360	(4,635)	(86.5)
Impairment of fixed assets	-	61,159	(61,159)	(100.0)
Cash flow before variations in working capital	**320,019**	**47,787**	**272,232**	**NA**
Working capital	38,443	45,918	(7,475)	(16.3)
Net cash flows from operating activities	**358,462**	**93,705**	**264,757**	**NA**
Non-recurring items	(18,212)	3,162	(21,374)	NA
Net cash flows from non-recurring items	**340,250**	**96,867**	**243,383**	**NA**
Net cash flows from investing activities	(455,192)	(62,651)	(392,541)	NA
Net cash flow from financing activities	139,352	322,875	(183,523)	(56.8)
(Net decrease) net increase in cash and cash equivalents	**24,409**	**357,091**	**(332,682)**	**(93.2)**
Cash and cash equivalents at the start of the period	539,133	179,884	359,249	NA
Cash and cash equivalents at the end of the period	**563,542**	**536,975**	**26,567**	**4.9**
Effect of revaluation of cash	1,179	2,158	(979)	NA
Total cash at the end of the period	**564,721**	**539,133**	**25,588**	4.7

At the end of 4Q21, operating cash flow was Ps. 76.5 million, compared to Ps. 15.9 million in 4Q20. The difference is mainly attributed to the unrealized exchange rate gain in 4Q21, compared to a loss in 4Q20.

BALANCE SHEET SUMMARY

Cash and cash equivalents

At the end of 2021, the Company's position in cash and banks was Ps. 656.0 million, comprised of Ps. 564.7 million in cash and cash equivalents, and Ps. 91.3 million in restricted cash related to debt. Thirty-three percent of cash and cash equivalents is denominated in dollars.

Accounts receivable and other current assets

This line increased by 28.5%, from Ps. 161.7 million in 2020, to Ps. 207.8 million in 2021.

Property, furniture, and equipment

This line item was Ps. 8,636.7 million at the close of 2021, a 1.7% increase over the Ps. 8,491.5 million at the close of 2020, due to construction of the hotel Hyatt Regency Insurgentes.

Net debt and maturities

At the close of 2021, the Company's Net Debt was Ps. 2,565.3 million. Of the Company's Total Debt, 83.7% is denominated in dollars, with an average financial cost of 3.31%, and the remaining 16.3% is denominated in pesos, at an average cost of 8.89%.

To further its growth plans, the Company will continue balancing its debt between Mexican pesos and United States dollars. The debt in both Mexican pesos and American dollars is hedged against the reference rate (TIIE and LIBOR), with value for the year at 8.5% and 4.5%, respectively.

According to IFRS, the numbers in dollars were converted to pesos using the exchange rate published by the Official Gazette of Mexico on December 31, 2021, which was 20.5157 pesos per dollar.

SUMMARY BALANCE SHEET	2021	2020	Var.	% Var.
Numbers in thousands of pesos				
Cash and cash equivalents	564,723	539,133	25,590	4.7%
Accounts receivable and other current assets	207,778	161,651	46,127	28.5%
Creditable taxes	422,428	391,852	30,576	7.8%
Total current assets	**1,194,929**	**1,092,636**	**102,293**	**9.4%**
Restricted cash	91,296	104,657	(13,361)	(12.8%)
Property, furniture, and equipment	7,569,224	7,798,964	(229,739)	(2.9%)
Non-productive fixed assets (works in process)	1,067,450	692,538	374,912	54.1%
Other non-current assets	922,526	570,692	351,834	61.7%
Total non-current assets	**9,650,496**	**9,166,850**	**483,646**	**5.3%**
Total assets	**10,845,425**	**10,259,486**	**585,939**	**5.7%**
Current debt maturities	245,110	227,467	17,643	7.8%
Other current liabilities	640,828	503,846	136,983	27.2%
Total current liabilities	**885,939**	**731,313**	**154,626**	**21.1%**
Long-term debt	2,976,213	2,661,689	314,524	11.8%
Other non-current assets	1,021,230	874,717	146,513	16.7%
Total non-current liabilities	**3,997,443**	**3,536,406**	**461,036**	**13.0%**
Total shareholders' equity	**5,962,044**	**5,991,767**	**(29,723)**	**(0.5%)**
Total liabilities and shareholder's equity	**10,845,425**	**10,259,486**	**585,939**	**5.7%**

CAPEX	2021	% Total
Numbers in thousands of pesos		
Total hotels in development	340,887	86.9%
Improvements and refurbishment of own hotels	13,754	3.5%
Regular CAPEX	37,453	9.6%
Total CAPEX	**392,095**	**100.0%**

DEBT

Numbers in thousands of pesos

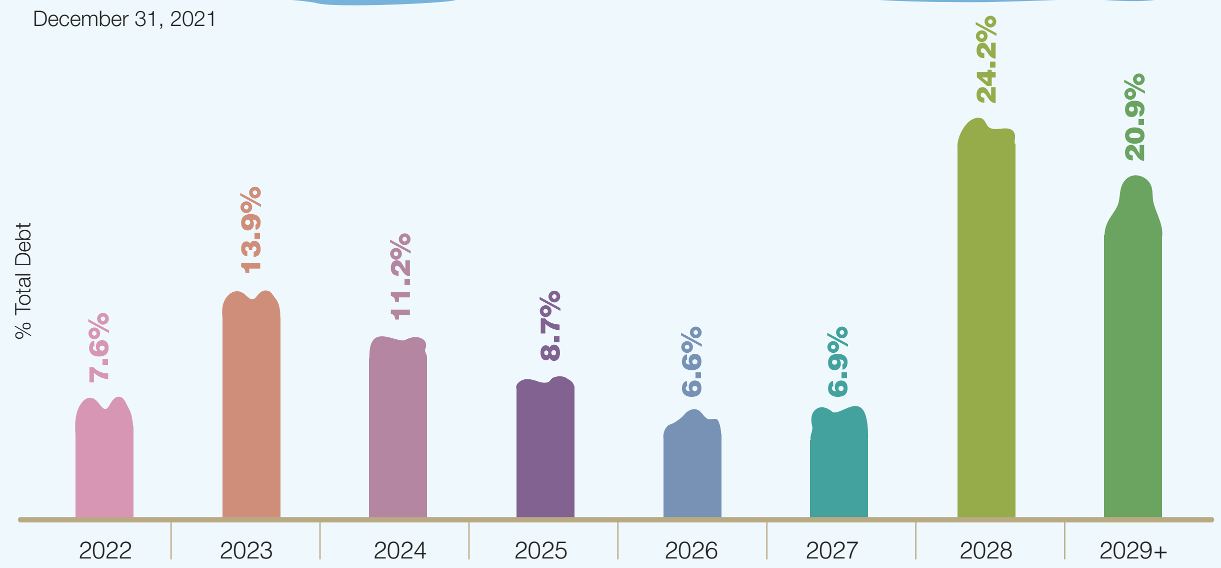
DEBT	Pesos	Dollars	Total
Short Term	27,985	217,125	245,110
Long Term	498,433	2,477,779	2,976,213
Total	**526,419**	**2,694,905**	**3,221,323**
% Total	16.3%	83.7%	100.0%
Average rate of financial liability	8.89%	3.31%	4.22%
Cash and cash equivalents	428,610	136,113	564,723
Restricted cash	5,918	85,377	91,296
Cash and banks**	**434,528**	**221,490**	**656,019**
Net debt	**91,890**	**2,473,414**	**2,565,305**
Net debt / EBITDA (last 12 months as at December 31, 2021)			6.4x

*Includes interest accrued for payment, and effect of financial instruments related to bank liabilities.

**Includes restricted cash related to bank debt

DEBT MATURITY PROFILE

December 31, 2021



CONSOLIDATED

FINANCIAL STATEMENTS

December 31st, 2021 and 2020
with report of the independent auditors

Contents

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Grupo Hotelero Santa Fe, S.A.B. de C.V. and subsidiaries

Opinion

We have audited the accompanying consolidated financial statements of Grupo Hotelero Santa Fe, S.A.B. de C.V. and its subsidiaries (the Group), which comprise the statement of financial position as at December 31st, 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Grupo Hotelero Santa Fe, S.A.B. de C.V. and its subsidiaries as at December 31st, 2021, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in Mexico in accordance with the Código de Ética Profesional del Instituto Mexicano de Contadores Públicos (IMCP Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Other matters

The financial statements as at and for the year ended December 31st, 2020 were audited by other independent auditors, whose audit report dated March 31st, 2021 expressed an unqualified opinion on those statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the accompanying consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Impairment assessment in the value of goodwill and long-lived assets

Why the matter was determined to be a key audit matter

We have considered as a key audit matter the impairment assessment of goodwill and long-lived assets as at December 31st, 2021, because the Group Management uses valuation models that require the use of complex assumptions involving a high degree of subjectivity and complexity in the application of significant judgments for the identification of key assumptions used for the projection of future cash flows, the long-term growth rate and the discount rate used to calculate the recoverable value of the Cash Generating Units (CGUs), which require the involvement of independent experts and the auditor's internal valuation specialists.

As a result of Management's impairment analysis, in 2021 the Group did not identify any impairment in its goodwill and long-lived assets.

The Group's policies for the accounting and recognition of impairment losses of goodwill and long-lived assets, as well as the analysis thereof are disclosed in Note 3h) Impairment to the accompanying consolidated financial statements.

How we responded to this key audit matter

We assessed the competence, objectivity and technical capacity of the Group's specialists in determining the recoverable value of goodwill and long-lived assets as at December 31st, 2021, including the scope of their review, results and conclusions. We also assessed the key assumptions used by Management such as: revenue volume, operating costs, inflation, future cash flows, long-term growth rates, discount rates, as well as methods and best practices commonly used and accepted in the hotel industry.

We assessed the projection of future cash flows prepared by Management, and verified the information of said projection for each identified CGU, analyzing whether it is consistent with historical information and the long-term business plans approved by the Board of Directors.

We involved our internal specialists to assist us in the impairment analysis through which we validated the methodology used; we analyzed the key assumptions according to their complexity and degree of subjectivity, and compared them against contrary evidence and comparable market data.

We also evaluated the appropriateness of the disclosures related to the calculation of impairment of goodwill made by Management in the consolidated financial statements as at December 31st, 2021.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report filed with the National Banking and Securities Commission (CNBV, by its acronym in Spanish), but does not include the consolidated financial statements and our auditor's report thereon. We expect to obtain the other information after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information when we have access to it and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read and consider the Annual Report filed with the CNBV, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and to issue a statement on the Annual Report required by the CNBV that contains a description of the matter.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the accompanying consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion.

- Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is the undersigned.

Mancera, S.C. A Member Practice of
Ernst & Young Global Limited

Sergio Rodolfo García Guerrero

Mexico City April 5th, 2022

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in thousands of Mexican pesos)

As at December 31st

		2021		2020
ASSETS				
Current assets:				
Cash and cash equivalents (Note 8)	$	564,723	$	539,133
Accounts receivable, net (Note 9)		118,334		92,407
Related party receivables (Note 10)		11,927		13,115
Other accounts receivable		2,896		2,755
Recoverable taxes (Note 11)		422,428		391,852
Inventories (Note 12)		23,027		21,630
Prepaid expenses		40,512		31,743
Deferred cost – Vacation Club		11,082		-
Total current assets		**1,194,929**		**1,092,635**
Non-current assets:				
Restricted cash (Note 8)		91,296		104,657
Property, furniture and equipment (Note 13)		8,636,675		8,491,501
Other assets (Note 14)		193,853		36,205
Equity investments in associates (Note 3j)		38,622		37,897
Deferred income tax (Note 18)		278,108		150,974
Goodwill (Note 6)		345,617		345,617
Deferred cost – Vacation Club		66,327		-
Total non-current assets		**9,650,498**		**9,166,851**
Total assets	$	**10,845,427**		**10,259,486**

As at December 31st

		2021		2020
LIABILITIES AND EQUITY				
Current liabilities				
Current portion of long-term debt (Note 15)	$	245,110	$	227,467
Suppliers		148,363		162,793
Accrued liabilities (Note 16)		38,063		64,877
Taxes payable		214,095		165,243
Provisions		76,223		35,389
Related party payables (Note 10)		15,687		18,319
Trade advances		82,164		57,224
Deferred revenue – Vacation Club		19,817		-
Total current liabilities		**839,522**		**731,312**
Non-current liabilities:				
Long-term debt, excluding current portion (Note 15)		2,976,213		2,661,689
Employee benefits (Note 17)		18,601		10,330
Deferred income tax (Note 18)		882,752		862,256
Security deposits		46,421		-
Deferred revenue – Vacation Club		118,748		-
Other liabilities		1,127		2,131
Total non-current liabilities		**4,043,862**		**3,536,406**
Total liabilities		**4,883,384**		**4,267,718**
Equity (Note 19):				
Attributable to equity holders of the parent:				
Share capital		3,954,707		3,954,707
Repurchase of shares		(41,575)		(37,538)
Share premium		80,000		80,000
Legal reserve		190,493		190,493
Retained earnings		645,213		645,356
Total equity attributable to equity holders of the parent		4,828,838		4,833,018
Non-controlling interests		1,133,205		1,158,750
Total equity		**5,962,043**		**5,991,768**
Total liabilities and equity	$	**10,845,427**	$	**10,259,48**

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in thousands of Mexican pesos, except for loss per share which is expressed in Mexican pesos)

		For the year ended December 31st		
		2021		2020
Operating revenue:				
Rooms	$	871,627	$	499,678
Food and beverages		666,055		415,549
Other		222,871		155,308
		1,760,553		1,070,535
Department costs and expenses:				
Rooms		245,558		142,030
Food and beverages		382,495		283,269
Other		37,359		24,436
Total department costs and expenses		**665,412**		**449,735**
Department profit		**1,095,141**		**620,800**
Operating expenses:				
Administrative		314,701		265,916
Advertising and sales		139,229		118,570
Maintenance and energy costs		244,281		175,144
Total operating expenses		**698,211**		**559,630**
Profit before finance charges and depreciation		**396,930**		**61,170**
Finance charges and depreciation:				
Property tax		14,260		13,846
Insurance		20,325		25,134
Depreciation (Note 13)		261,235		233,618
Allowance for impairment losses (Notes 6 and 13)		-		61,159
Amortization of other assets (Note 14)		3,823		2,833
Pre-operating expenses		18,022		3,587
Expansion expenses		7,597		7,501
Allowance for expected credit losses		1,845		3,124
Total finance charges and depreciation		**327,107**		**350,802**
Other (expenses)/income, net		(143)		1,500
Operating profit/(loss)		69,680		(288,132)

The accompanying notes are an integral part of these financial statements.

		For the year ended December 31st		
		2021		2020
Net financing cost:				
Interest income (Note 10)		17,674		2,775
Interest expense (Note 15)		(102,489)		(133,688)
Foreign exchange loss, net		(88,056)		(105,305)
Other finance expenses		(6,551)		(5,360)
		(179,422)		(241,578)
Share of profit/(loss) of associates		725		(742)
Loss before income tax		**(109,016)**		**(530,452)**
Income tax (Note 18)		(75,605)		(9,271)
Net loss for the year	**$**	**(33,411)**		**(521,181)**
Net loss attributable to:				
Equity holders of the parent	$	(143)		(398,911)
Non-controlling interests		(33,268)		(122,270)
	$	(33,411)		(521,181)
Basic loss per share (Note 19h)		**(0.05)**		**(1.04)**

CONSOLIDATED STATEMENTS OF
CHANGES IN EQUITY

GRUPO HOTELERO SANTA FE, S.A.B. DE C.V. AND SUBSIDIARIES

For the Years Ended December 31st, 2021 and 2020
(Amounts in thousands of Mexican pesos)

	Share capital	Share incentive plan	Share premium	Legal reserve	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance as at January 1st, 2020	$ 3,454,707	$ (32,839)	$ 80,000	$ 190,493	$ 1,044,267	$ 4,736,628	$ 1,295,614	$ 6,032,242
Repurchase of shares (Note 19d)		(4,699)	-	-	-	(4,699)	-	(4,699)
Share capital increase (Note 19c)	500,000	-	-	-	-	500,000	-	500,000
Distributions to non-controlling interests	-	-	-	-	-	-	(14,594)	(14,594)
Net loss for the year	-	-	-	-	(398,911)	(398,911)	(122,270)	(521,181)
Balance as at December 31st, 2020	3,954,707	(37,538)	80,000	190,493	645,356	4,833,018	1,158,750	5,991,768
Repurchase of shares (Note 19)	**-**	**(4,037)**	**-**	**-**	**-**	**(4,037)**	**-**	**(4,037)**
Contribution to non-controlling interests						**-**	**7,724**	**7,724**
Net loss for the year	**-**	**-**	**-**	**-**	**(143)**	**(143)**	**(33,269)**	**(33,412)**
Balance as at December 31st, 2021	**$ 3,954,707**	**$ (41,575)**	**$ 80,000**	**$ 190,493**	**$ 645,213**	**$ 4,828,838**	**$ 1,133,205**	**$ 5,962,043**

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands of Mexican pesos, except for loss per share which is expressed in Mexican pesos)

For the year ended December 31st

		2021	2020
Operating activities			
Loss before income tax	$	(109,017)	(530,452)
Items not affecting cash flows:			
Depreciation		261,235	233,618
Impairment of long-lived assets and goodwill		-	61,159
Amortization of other assets		3,823	2,833
Interest income		(17,674)	(2,775)
Equity investment in associate		(725)	742
Unrealized foreign exchange loss		75,190	151,125
Interest expense		102,488	133,688
Net periodic benefit expense		8,271	2,705
Other finance expenses		6,551	5,360
		330,143	58,003
Changes in working capital:			
Accounts receivable		(25,927)	140,128
Related party receivables		(3,253)	5,754
Other accounts receivable and recoverable taxes		(142,188)	(30,817)
Inventories		(1,398)	4,599
Prepaid expenses		(8,769)	(10,888)
Suppliers		(14,430)	(11,101)
Accrued liabilities and taxes payable		65,322	(22,083)
Provisions		57,702	(6,839)
Trade advances and security deposits		71,361	(3,848)
Income tax paid		(31,033)	(19,796)
Net cash flows from operating activities		297,530	103,112

The accompanying notes are an integral part of these financial statements.

For the year ended December 31st

		2021		2020
Investing activities				
Purchase of property, furniture and equipment		(392,096)		(88,063)
Security deposit for purchase of shares		(50,000)		-
Proceeds from sale of furniture and equipment		-		1,046
Other assets		-		(9,987)
Loans collected from related parties		1,810		25,683
Equity investments in associates		-		100
Interest income		17,674		2,775
Net cash flows used in investing activities		(422,612)		(68,446)
Financing activities				
Share capital increase		-		500,000
Contributions (transfers) to non-controlling interests		7,724		(14,594)
Repurchase of shares		(4,037)		(4,699)
Loans obtained		391,334		11,919
Payment of principal on bank loans		(131,005)		(72,998)
Interest paid		(126,705)		(121,839)
Net cash flows from financing activities		137,311		297,789
Net increase in cash, cash equivalents and restricted cash		12,229		332,455
Cash, cash equivalents and restricted cash at beginning of year		643,790		311,335
Cash, cash equivalents and restricted cash at end of year	**$**	**656,019**	**$**	**643,790**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31st, 2021 and 2020
(Amounts in thousands of Mexican pesos)

1. DESCRIPTION OF THE BUSINESS AND RELEVANT EVENTS

a) Description of the business

Grupo Hotelero Santa Fe, S.A.B. de C.V. (the Group or GHSF) was incorporated in Mexico City and is primarily engaged in acquiring shares, interests, equity interests, among others, of any type of commercial entities, either national or foreign, and investing in their equity and assets, as well as taking part in their management, liquidation, spin-offs and mergers. The Group was incorporated on November 24th, 2006 and started operations on January 1st, 2010.

The Group's headquarters are located in Juan Salvador Agraz No. 65, 20 floor, Santa Fe, Cuajimalpa, 05348, Mexico City.

The Group's operating period and fiscal year is from January 1st through December 31st.

On April 5th, 2022, the consolidated financial statements and these notes were authorized by the Group's General Director, Francisco Medina Elizalde; the Finance Director and Legal Representative, Enrique Gerardo Martínez Guerrero; and the Administrative Director, José Alberto Santana Cobián, for their issue and subsequent approval by the Group's Board of Directors and shareholders. Information on subsequent events covers the period from January 1st, 2022 through the above-mentioned issue date of the financial statements.

b) Relevant events

On February 10th, 2021, the Group announced it entered into an Operation Agreement for the luxury lifestyle hotel SLS Cancun, located in the exclusive area of Puerto Cancun, which has 45 luxury suites, 130 residential units, Leynia Restaurant, Ciel Spa and a state-of-the-art Gym. SLS, Leynia and Ciel Spa are brands owned by sbe, a leading global lifestyle hospitality company that is part of the Accor Hotel Group. The hotel was designed by award-winning architect and designer Piero Lissoni, and was developed by Related Group, Inmobilia and U-Cali. The hotel is located in a residential complex that has 250 meters of beach, a beach club, a sailing club, an 18-hole golf course designed by Tom Weiskopf, and a shopping center with more than 100 high-end shops & boutiques, as well as 16 movie theaters. The property began operations on February 10th, 2021.

c) Description of the business of subsidiaries

The Group's consolidated subsidiaries are primarily engaged in the following activities :

- Hotelera SF, S. de R.L. de C.V. (Hotelera SF) is primarily engaged in providing hotel administrative and operating services, as well as any other hotel service, and all of its revenue is earned from hotel service agreements. Hotelera SF was incorporated on January 8th, 2010 and started operations on March 1st, 2010.

- Servicios en Administración Hotelera SF, S. de R.L. de C.V. (SAH) is primarily engaged in providing hotel administrative and operating services, as well as any other hotel service, to its related parties. SAH was incorporated on January 8th, 2010, started operations on March 1st, 2010 and ceased operations as of July 1st, 2021.

- Grupo Hotelero SF México, S. de R.L. de C.V. (GHSFMEX) is primarily engaged in owning a hotel property located in the city of Acapulco, Guerrero, Mexico, with 400 rooms operating under the brand name "Krystal Beach Acapulco". The hotel is managed by Hotelera SF under hotel administrative and operating service agreements that establish the payment of an income-based fee plus a percentage of operating profit. GHSFMEXwas incorporated on December 1st, 2011 and started operations on April 24th, 2014.

- Administración SF del Pacífico, S. de R.L. de C.V. (ASFP) is primarily engaged in providing hotel administrative and operating services, as well as any other hotel service, to its related parties. ASFP was incorporated on April 9th, 2013, started operations on April 25th, 2013 and ceased operations as of July 1st, 2021.

- Servicios e Inmuebles Turísticos, S. de R.L. de C.V. (SIT) is primarily engaged in owning a hotel located in the city of Guadalajara, Jalisco, Mexico, with 450 rooms operating under the brand name "Hilton". The hotel is managed by Hotelera SF through hotel administrative and operating service agreements that establish the payment of an income-based fee plus a percentage of operating profit. This subsidiary was acquired by the Group on March 1st, 2010.

- Administración SF Occidente, S. de R.L. de C.V. (ASFO) is primarily engaged in providing hotel administrative and operating services, as well as any other hotel service, to its related parties. ASFO was incorporated on January 8th, 2010, started operations on March 1st,2010 and ceased operations as of July 1st, 2021.

- Inmobiliaria en Hotelería León Santa Fe, S de R. L de C.V. (IHL) is primarily engaged in acquiring, through any legal means, shares and equity interests, among others, of any type of corporate entities, either national or foreign, and investing in their equity and assets. IHL was incorporated on September 18th, 2015 and started operations on March 1st, 2015.

- Corporación de Servicios Los Ángeles Vallarta, S.A. de C.V. (CSA) is primarily engaged in providing hotel administrative and operating services, as well as any other hotel service, to its related parties. This subsidiary was incorporated on November 24th, 2016, started operations on January 1st, 2018 and ceased operations as of July 1st, 2021.

- Inmobiliaria en Hotelería Ciudad Juárez Santa Fe, S. de R.L. de C.V. (IHJ) is primarily engaged in acquiring, through any legal means, shares and equity interests, among others, of any type of corporate entities, either national or foreign, and investing in their equity and assets, as well as participating in their management, liquidation, spin-offs and mergers. This subsidiary is the holding company of Chartwell Inmobiliaria de Juárez, S. de R.L. de C.V. This subsidiary was incorporated on January 8th, 2010 and started operations on March 1st, 2010.

- Inmobiliaria en Hotelería Guadalajara Santa Fe, S. de R.L. de C.V. (IHG) is primarily engaged in acquiring, through any legal means, shares and equity interests, among others, of any type of corporate entities, either national or foreign, and investing in their equity and assets, as well as participating in their management, liquidation, spin-offs and mergers. IHG is the holding company of Servicios e Inmuebles Turísticos, S. de R.L. de C.V. This subsidiary was incorporated on January 8th, 2010 and started operations on March 1st, 2010.

- Chartwell Inmobiliaria de Juárez, S. de R.L. de C.V. (CIJ) is primarily engaged in owning a hotel property located in the city of Ciudad Juárez, Chihuahua, Mexico, with 120 rooms operating under the brand name "Krystal Business Ciudad Juárez". The hotel is managed by Hotelera SF through hotel administrative and operating service agreements that establish the payment of income-based fee plus a percentage of operating profit. This subsidiary was acquired by the Group on March 1st, 2010.

- Inmobiliaria en Hotelería Monterrey Santa Fe, S. de R.L. de C.V. (IHM) is primarily engaged in acquiring, through any legal means, shares and equity interests, among others, of any type of corporate entities, either national or foreign, and investing in their equity and assets, as well as participating in their management, liquidation, spin-offs and mergers. IHM is the holding company of Chartwell Inmobiliaria de Monterrey, S. de R.L. de C.V. This subsidiary was incorporated on January 8th, 2010 and started operations on March 1st, 2010.

- Chartwell Inmobiliaria de Monterrey, S. de R.L. de C.V. (CIM) is primarily engaged in owning a hotel property located in the city of Monterrey, Nuevo León, Mexico, with 150 rooms operating under the brand name "Krystal Urban Monterrey". The hotel is managed by Hotelera SF through hotel administrative and operating service agreements that establish the payment of income-based fee plus a percentage of operating profit. This subsidiary was acquired by the Group on March 1st, 2010.

- Administración SF del Norte, S. de R.L. de C.V. (ASFN) is primarily engaged in providing hotel administrative and operating services, as well as any other hotel service, to its related parties. ASFN was incorporated on January 8th, 2010, started operations on March 1st, 2010 and ceased operations as of July 1st, 2021.

- Inmobiliaria en Hotelería Vallarta Santa Fe, S. de R.L. de C.V. (IHV) is primarily engaged in owning a hotel property located in the city of Puerto Vallarta, Jalisco, Mexico, with 451 rooms operating under the brand name "Hilton". The hotel is managed by Hotelera SF through hotel administrative and operating service agreements that establish the payment of income-based fee plus a percentage of operating profit. This subsidiary was incorporated on May 23rd, 2011 and started operations on October 1st, 2012.

- Corporación Integral de Servicios Administrativos de Occidente, S. de R.L. de C.V. (CISAO) is primarily engaged in providing hotel administrative and operating services, as well as any other hotel service, to its related parties. CISAO was incorporated on February 7th, 2012, started operations on February 9th, 2012 and ceased operations as of June 1st, 2021.

- Inmobiliaria en Hotelería Cancún Santa Fe, S. de R.L. de C.V. (IHC) is primarily engaged in owning a hotel property located in the city of Cancun, Quintana Roo, Mexico, with 398 rooms operating under the brand name “Krystal Grand Punta Cancún”. The hotel is managed by Hotelera SF through hotel administrative and operating service agreements that establish the payment of income-based fee plus a percentage of operating profit. This subsidiary was incorporated on May 16th, 2013 and started operations on September 24th, 2013.

- Administración SF de Quintana Roo, S. de R.L. de C.V. (ASFQ) is primarily engaged in providing hotel administrative and operating services, as well as any other hotel service, to its related parties. ASFQ was incorporated on June 20th,2013, started operations on October 1st, 2013 and ceased operations as of July 1st, 2021.

- Inmobiliaria Hotelera Cancún Urban, S. de R.L. de C.V. (IHCU) is primarily engaged in owning a hotel property located in the city of Cancun, Quintana Roo, Mexico, with 246 rooms operating under the brand name “Krystal Urban Cancún”. The hotel is managed by Hotelera SF through hotel administrative and operating service agreements that establish the payment of income-based fee plus a percentage of operating profit. This subsidiary was incorporated on October 21st, 2014 and started operations on December 16th , 2014.

- Servicios Administrativos Urban Cancún, S. de R.L. de C.V. (SAUC) is primarily engaged in providing hotel administrative and operating services, as well as any other hotel service, to its related parties. SAUC was incorporated on November 3rd, 2014, started operations on December 16th, 2014, and ceased operations as of July 1st, 2021.

- SF Partners II, S. de R.L. de C.V. (SFP) is primarily engaged in owning a hotel property located in the city of Guadalajara, Jalisco, Mexico, with 140 rooms operating under the brand name “Krystal Urban Guadalajara”. This subsidiary was acquired by the Group on March 24th, 2014.

- Administración y Operación SF, S. de R.L. de C.V. (AYO) is primarily engaged in providing hotel administrative and operating services, as well as any other hotel service. AYO was incorporated on December 4th, 2014 and started operations on July 1st, 2021.

- Moteles y Restaurantes María Bárbara, S.A. de C.V. (MRMB) is primarily engaged in owning a hotel property located in the municipality of Naucalpan, State of Mexico, Mexico, with 215 rooms operating under the brand name “Krystal Satélite María Bárbara”. This subsidiary was acquired by the Group on May 7th, 2015.

- Servicios Administrativos Tlalnepantla, S.A. de C.V. (SATL) is primarily engaged in providing hotel administrative and operating services, as well as any other hotel service, to its related parties. SATL was incorporated on April 14th, 2015 and started operations on July 1st, 2015.

- Inmobiliaria MB Santa Fe, S.A. de C.V. (IMB) is primarily engaged in acquiring, through any legal means, shares and equity interests, among others, of any type of corporate entities, either national or foreign, and investing in their equity and assets, as well as participating in their management, liquidation, spin-offs and mergers. IMB is the holding company of Moteles y Restorantes María Bárbara, S.A. de C.V. This subsidiary was incorporated on March 4th, 2015 and started operations on that same date.

- Inmobiliaria Hotelera Insurgentes 724, S.A.P.I. de C.V. (IHI) is primarily engaged in owning a hotel property under construction located in Mexico City, Mexico. IHI was incorporated on May 15th, 2015 and construction of the hotel began on January 22nd, 2016.

- ICD Sitra, S.A. de C.V. (ISI), is primarily engaged in owning a hotel property located in San José del Cabo, Baja California Sur, Mexico, which is leased to its subsidiary Promotora Los Ángeles Cabos, S.A. de C.V. The Group acquired control of this subsidiary on February 21st, 2017.

- Promotora Los Ángeles Cabos, S.A. de C.V. (PAC) is primarily engaged in operating a hotel property located in San José del Cabo, Baja California Sur, Mexico, with 454 rooms under the brand name “Krystal Grand Los Cabos”. The hotel is managed by Hotelera SF through hotel administrative and operating service agreements that establish the payment of income-based fee plus a percentage of operating profit. This subsidiary was incorporated on November 24th, 2016 and started operations on March 1st, 2017.

- Servicios Ángeles SJC, S.A. de C.V. (SAS) is primarily engaged in providing hotel administrative and operating services, as well as any other hotel service, to its related parties. SAS was incorporated on November 24th, 2016, started operations on March 1st, 2017, and ceased operations as of July 1st, 2021.

- Sibra Vallarta, S.A. de C.V. (SAV), is primarily engaged in owning a hotel property located in Nuevo Vallarta, Nayarit, Mexico, which is leased to its subsidiary Arrendadora Vallarta. The Group acquired control of this subsidiary on February 21st, 2017.

- Arrendadora los Ángeles Vallarta, S.A. de C.V. (AAV) is primarily engaged in operating a hotel property located in Vallarta, Nayarit, Mexico, with 480 rooms. The hotel is managed by Hotelera SF through hotel administrative and operating service agreements that establish the payment of income-based fee plus a percentage of operating profit. This subsidiary was incorporated on November 24th, 2016 and started operations on May 1st, 2017.

- CER diecinueve 91, S. de R.L. de C.V. (CDN) is primarily engaged in providing food and beverage services to the guests of "Krystal Grand Suites Insurgentes 1991" and the general public. CDN was incorporated on July 4th, 2017 and started operations on September 13th, 2017.

- Inmobiliaria K Suites 1991, S.A.P.I. de C.V. (IKS), through September 2018, was primarily engaged in owning a suite complex in Mexico City with 150 suites. The operation consisted of renting furnished suites under the brand name "Krystal Grand Suites Insurgentes 1991". In September 2018, the subsidiary's operations were transferred to Grupo Inmobiliario 1991, S.A. de C.V. who acquired all the rights and assumed all the obligations of Inmobiliaria K Suites.The suites are managed by Hotelera SF through hotel administrative and operating service agreements that establish the payment of income-based fee plus a percentage of operating profit. IKS was incorporated on May 11th, 2016 and started operations on September 13th, 2017.

- Servicios Administrativos Suites 1991, S. de R.L. de C.V. (SAS) is primarily engaged in providing hotel administrative and operating services, as well as any other hotel service, to its related parties. SAS was incorporated on June 26th, 2017, started operations on October 1st, 2017 and ceased operations as of July 1st, 2021.

- Inmobiliaria Hotelera del Bajío S.F., S.A. de C.V. (IHB) is primarily engaged in owning a hotel property located in Leon, Guanajuato, Mexico, with 140 rooms operating under the brand name "Hyatt Centric Campestre León". The hotel is managed by Hotelera SF through hotel administrative and operating service agreements that establish the payment of income-based fee plus a percentage of operating profit. This subsidiary was acquired by the Group on August 24th, 2018.

- Servicios en Administración Hotelera M.P.S.F. S. de R.L. de C.V. (SMP), is primarily engaged in providing hotel and operating services, as well as any other hotel service, to its related parties. SMP started operations on August 9th, 2018 and ceased operations as of July 1st, 2021.

- Grupo Inmobiliario 1991, S.A. de C.V. (GIM1991), as of August 18th, 2018, is primarily engaged in owning a suite complex in Mexico City through a merger agreement entered into between the shareholders of IKS (disappearing entity) and GIM1991 (surviving entity), whereby GIM1991 now runs 150 suites. The operation consists of renting furnished suites under the brand name "Krystal Grand Suites Insurgentes 1991".

2. BASIS OF PREPARATION

a) Compliance statement

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) effective as at December 31st, 2021, as issued by the International Accounting Standards Board (IASB).

IFRS include all standards and interpretations issued by the IASB as well as the IFRS Interpretations Committee (IFRIC).

The Group has concluded that there are no material uncertainties that may cast significant doubt on its ability to continue as a going concern.

In accordance with the Mexican Corporations Act and the bylaws of each individual group company, the shareholders have the authority to modify the consolidated financial statements.

Note 3 provides further information on the Group's accounting policies.

b) Basis for measurement

The consolidated financial statements have been prepared on a historical cost basis, except for certain items of property, furniture and equipment that were measured at assumed cost as at February 28th, 2010 (date of transition to IFRS) and at the date of the business combinations described in Note 6. The assumed cost of this land, buildings and furniture has been determined based on appraisals performed by independent experts (fair value) at that date.

c) Functional currency and presentation currency

The Group's consolidated financial statements are presented in thousands of Mexican pesos, which is the Group's functional and presentation currency. Certain amounts are shown in U.S. dollars (USD). All financial information presented in Mexican pesos is rounded to the nearest thousand. The exchange rate used by the Group to translated the amounts in Mexican peso as at December 31st, 2021 and 2020 was $ 20.5157 pesos and $ 19.93 pesos, respectively, per U.S. dollar. As at April 5th,2022, the exchange rate was $ 19.7443 pesos per U.S. dollar.

d) Use of judgments and estimates

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates.

The Group's judgments, estimates and assumptions are based on historical and forecast information, as well as regional economic conditions and the industry in which it operates. Any changes could adversely affect such estimates. Although the Group believes it has made reasonable assumptions about the eventual resolution of the estimation uncertainties, it cannot ensure that the ultimate outcome will reflect the information presented in the Group's assets, liabilities, income and expenses.

Relevant estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future affected periods.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in Note 3h related to goodwill impairment testing.

Information about assumptions and estimation uncertainties as at December 31st, 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following note:

- Note 6 -Impairment testing in the value of goodwill and long-lived assets: key assumptions for the valuation of the recoverable amount.

e) Fair value measurement

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified. Significant valuation issues are reported to the Group's audit committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

– Note 20 - Financial Instruments and Risk Management

f) Scope of consolidation

The consolidated financial statements include all entities that are directly controlled by the Group.

All Group entities prepare their financial statements as at December 31st, 2021 applying the same accounting and measurement criteria under IFRS. Intra-group balances and transactions are eliminated on consolidation.

The following table summarizes the changes in the number of entities included in the consolidated financial statements:

Entities consolidated in the financial statements:

	Number of entities
December 31st, 2020	38
December 31st, 2021	38

g) Statement of comprehensive income presentation

Since the Group is a service company, ordinary costs and expenses are analyzed by their nature, since such classification allows for a more accurate evaluation of the Group's operating and gross profit margins. The Group also includes department profit, profit before finance charges and depreciation and operating profit, which are the difference between operating profit from department costs and expenses, indirect expenses and finance charges and depreciation, and they are an important indicator for evaluating the Group's financial and business performance, in accordance with the standards of the hotel industry.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Group, as well as all Group entities, have consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except when otherwise indicated.

a) Basis of consolidation

(i) Business combination

Business combinations are accounted for using the acquisition method as of the acquisition date (the date when the Group acquires control of an entity). Control is achieved when the Group (i) has power over the investee, (ii) is exposed, or has rights, to variable returns from its involvement with the investee, and (iii) has the ability to affect those returns through its power over the investee. The Group considers the potential voting rights that can be exercised or converted when assessing whether it has control over an investee.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred, plus
- The amount recognized for any non-controlling interests in the investee, plus
- If the business combination is achieved in stages, the fair value of existing equity interests of the acquiree, less
- The net amount (normally, the fair value) of identifiable assets acquired and identifiable liabilities assumed

When there is an excess of the fair value of net assets acquired over the aggregate consideration transferred, any gain on a bargain purchase is recognized in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Transaction costs, other than those associated with the issuance of debt or equity instruments, that are incurred by the Group in respect of a business combination are recognized in profit or loss as incurred.

Contingent consideration payable is recognized at fair value at the acquisition date. If contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

(ii) Acquisition of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with shareholders; therefore, no goodwill is recognized as a result of these transactions. Adjustments to non-controlling interests arising from transactions that do not involve loss of control are based on the proportional amount of the net assets of the subsidiary, and the effects are recognized in equity.

(iii) Subsidiaries

The subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the financial statements from the date on which control commences until the date on which control ceases.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Specifically, the Group controls an investee if, and only if, the Group has:

1) Power over the investee
2) Exposure, or rights, to variable returns from its involvement with the investee
3) The ability to use its power over the investee to affect its returns

An analysis of the Group's equity investments in subsidiaries is as follows:

Subsidiary	% Equity investment	Primary activity
Inmobiliaria en Hotelería Guadalajara Santa Fe, S. de R.L. de C.V.	100%	Real estate management
Inmobiliaria en Hotelería Monterrey Santa Fe, S. de R.L. de C.V.	100%	Real estate management
Inmobiliaria en Hotelería Ciudad Juárez Santa Fe, S. de R.L. de C.V.	100%	Real estate management
Inmobiliaria MB Santa Fe, S.A. de C.V.	100%	Real estate management
Grupo Hotelero SF de México, S. de R.L. de C.V.	100%	Hotel management
Chartwell Inmobiliaria de Monterrey, S. de R.L. de C.V.	100%	Hotel management
Servicios e Inmuebles Turísticos, S. de R.L. de C.V.	100%	Hotel management
Chartwell Inmobiliaria de Juárez, S. de R.L. de C.V.	100%	Hotel management
Inmobiliaria en Hotelería Vallarta Santa Fe, S. de R.L. de C.V.	100%	Hotel management
Inmobiliaria en Hotelería Cancún Santa Fe, S. de R.L. de C.V.	100%	Hotel management
Inmobiliaria Hotelera Cancún Urban, S. de R.L. de C.V.	100%	Hotel management
SF Partners II, S. de R.L. de C.V.	100%	Hotel management
Moteles y Restaurantes María Barbara, S.A. de C.V.	100%	Hotel management
Hotelera SF, S. de R.L. de C.V.	100%	Hotel operation
Administración y Operación SF, S. de R.L. de C.V.	100%	Administrative services
Servicios en Administración Hotelera SF, S. de R.L. de C.V.	100%	Administrative services
Administración SF del Norte, S. de R.L. de C.V.	100%	Administrative services
Administración SF Occidente, S. de R.L. de C.V.	100%	Administrative services
Corporación Integral de Servicios Administrativos de Occidente, S. de R.L. de C.V.	100%	Administrative services
Administración SF del Pacífico, S. de R.L. de C.V.	100%	Administrative services
Administración SF de Quintana Roo, S. de R.L.de C.V.	100%	Administrative services

Subsidiary	% Equity investment	Primary activity
Servicios Administrativos Urban Cancún, S. de R.L. de C.V.	100%	Administrative services
Servicios Administrativos Tlalnepantla Santa Fe, S. de R.L. de C.V.	100%	Administrative services
Inmobiliaria en Hotelería León Santa Fe, S. de R.L. de C.V.	100%	Hotel management
Corporación de Servicios Los Angeles Vallarta, S. A de C.V.	100%	Administrative services
Inmobiliaria en Hotelería Insurgentes 724, S.A.P.I. de C.V.	50%	Hotel management
Inmobiliaria K Suites 1991, S.A.P.I. de C.V.	100%	Hotel management
Servicios Administrativos K Suites 1991, S. de R.L. de C.V.	100%	Administrative services
Sibra Vallarta, S.A. de C.V.	50%	Real estate management
ICD Sitra, S.A. de C.V.	50%	Real estate management
Promotora los Ángeles Cabos, S.A. de C.V.	50%	Hotel management
Servicios Ángeles SJC, S.A. de C.V.	50%	Administrative services
Arrendadora los Ángeles Vallarta, S.A. de C.V.	50%	Hotel management
CER diecinueve 91, S de R.L. de C.V.	100%	Consumer services
Servicios en Administración Hotelera M.P.S.F.S. de R.L. de C.V.	50%	Administrative services
Inmobiliaria en Hotelería Querétaro S.F., S.A. de C.V.	50%	Hotel management
Grupo inmobiliario 1991, S.A. de C.V.	50%	Hotel management
Inmobiliaria en Hotelera del Bajío S.F., S.A. de C.V.	50%	Hotel management

(iv) Balances and transactions eliminated on consolidation

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated on consolidation.

Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b) Foreign currency

Transactions in foreign currency are initially translated using the prevailing exchange rate on the day of the initial transactions. Foreign currency denominated assets and liabilities are translated using the exchange rate ruling at the reporting date. Exchange differences are recognized in profit or loss as part of finance costs.

Transactions in foreign currency are initially translated into the Group's functional currency using the prevailing exchange rate on the day of the initial transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. The exchange gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the period, adjusted for payments and effective interest during the period, and the amortized cost in foreign currency translated at the exchange rate ruling at the reporting date. Exchange differences resulting from the re-translation are recognized in profit or loss.

Non-monetary items that are recognized at their historical cost in a foreign currency are translated using the exchange rate prevailing on the date of the transaction.

c) Financial Instruments

i. Recognition and initial measurement

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

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

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

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

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

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

All financial assets not classified as measured at amortized cost as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial a;ssets - business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated (e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g., non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - subsequent measurement and gains and losses

Financial assets at fair value through profit or loss	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. However, see Note XX for derivatives designated as hedging instruments.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

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

iii. Derecognition

Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

v. Derivative financial instruments

The Group holds derivative financial instruments to hedge its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

d) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is determined using the average cost method, which includes all expenses incurred to acquire the inventories.

When required, the Company records provisions to recognize write downs in the value of its inventories due to impairment, obsolescence, low turnover and other circumstances that indicate that the recoverable amounts of inventories are less than their carrying amounts.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

e) Prepaid expenses

Prepaid expenses are primarily comprised of prepaid insurance with a term of less than one year that is amortized over its lifetime. Prepaid expenses are expensed in profit or loss when the good or service is received.

f) Property, furniture and equipment

i. Recognition and measurement

Property, furniture and equipment is recognized at cost, net of accumulated depreciation and accumulated impairment losses, if any. Land is measured at cost. Assets acquired through business combinations are recognized at fair value (see Note 6).

Costs include all expenditures directly attributable to the acquisition of the asset. The cost of assets built for the Group's own use includes the costs of materials, direct labor and other costs required to get the asset ready for use, including the borrowing costs of qualifying assets. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

If significant parts of an item of property, furniture and equipment have different useful lives, then they are accounted for as separate items (major components) of property, furniture and equipment.

Gains and losses from the sale of an item of property, furniture and equipment are determined by comparing the proceeds of the sale against the net carrying amount of property, furniture and equipment, and are presented on a net basis as part of the "Other" caption under operating income and property expenses and depreciation in the consolidated statement of comprehensive income.

Operating equipment is mainly comprised of earthenware, glassware, bedding and cutlery expensed at the start of the hotel's operation. Equipment replacements are directly recognized in profit or loss in the period in which they are made. Operating equipment is not subject to depreciation since it roughly represents the Group's investment.

An item of property, furniture and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

ii. Subsequent costs

The cost to replace an item of property, furniture and equipment (except for replacements of operating equipment) is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and they can be reliably measured. The net carrying amounts of replaced parts are derecognized. Operating costs are expensed as incurred.

iii. Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, furniture and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Freehold land is not depreciated.

An analysis of the estimated useful lives of property, furniture and equipment is as follows:

	Estimated useful life
General construction	70 years
Major refurbishments	20 years
Elevators	30 years
Major systems	23 years
Air conditioning	20 years
Furniture and equipment	10 years
Automotive equipment	4 years
Computer equipment	3 years

The residual values, useful lives and methods of depreciation of property, furniture and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. Minor repair and maintenance costs are expensed as incurred.

The carrying amount of property, furniture and equipment is reviewed annually whenever there are indicators of impairment in the value of such assets. When the recoverable amount of an asset, which is the higher of the asset's expected net selling price and its value in use (the present value of future cash flows) is less than its net carrying amount, the difference is recognized as an impairment loss.

g) Goodwill

Goodwill represents future economic benefits arising from other assets acquired that are not individually identifiable or recognized separately. Goodwill is subject to impairment testing at the end of the reporting period and whenever there are indicators of impairment.

h) Impairment

i. Non-derivative financial assets

Financial instruments

The Group recognizes loss allowances for expected credit losses (ECLs) on:

- financial assets measured at amortized cost;

The Group measures ECL allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, except for the cases in which the Group has information that the risk has not increased significantly.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due, or otherwise the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, about past events, current conditions and forecasts of future economic conditions. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the issuer or obligor;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

ii. Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

i) Other assets

Other assets primarily include extraordinary fees with finite useful lives and are recognized at cost. Amortization is determined on the assets' carrying amounts on a straight-line basis over 10 and 15 years. In addition, certain recoverable assets are included in the financial statements as at December 31st, 2021 (see Note 14).

j) Equity investments in associates

The Group's interests in equity-accounted investees comprise interests in associates. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

On September 24th, 2019, through resolutions adopted outside shareholders' meetings, the shareholders approved the sale of the shares owned by the Group (Inmobiliaria Hoteleria León Santa Fe, S. de R.L. de C.V.) to Grupo HECFA, S.A. de C.V., corresponding to 25% of the equity of Sunset Tulum, S.A. de C.V.

On December 4th, 2018, the Group entered into a share subscription agreement with Grupo HECFA, S.A. de C.V., in order to develop and build a hotel under the "Breathless" brand in the municipality of Tulum, Quintana Roo. This agreement was entered into through the subsidiary Sunset Tulum, S.A. de C.V., in which the Group holds an equity interest of 25%.

On June 12th, 2013, the Group entered into an agreement with OMA Logística, S.A. de C.V. to develop, build and operate a "Hilton Garden Inn" hotel in the Monterrey airport, through the incorporation of a new entity, Consorcio Hotelero Aeropuerto Monterrey, S.A.P.I. de C.V., in which the Group holds an equity interest of 15%, without exercising control over the investee. This investment is recognized at cost.

k) Employee benefits

i. Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis based on current salaries and charged to profit or loss as the services are rendered. The related liabilities are recognized at nominal value due to their short-term nature and include employee profit sharing payable, compensated absences, paid annual leave, vacation premium and incentives.

Employee profit sharing is presented as part of costs and expenses in the statement of comprehensive income.

ii. Defined benefit plan

Statutory seniority premiums are calculated estimating the future benefit accrued by employees in exchange for their service in current and past periods; this benefit is discounted to determine its present value. The discount rate is determined by reference to market yields at the date of the statement of financial position on government bonds that have maturity dates approximating the maturity dates of the Group's obligations and that are denominated in the currency that the pension benefits are expected to be paid out in. The calculation is performed annually by a qualified actuary using the projected unit credit method.

iii. Termination benefits

Termination benefits are expensed when the Group can no longer withdraw the offer of those benefits, there is a formal plan to terminate an employee's employment before the normal retirement date, or to provide termination benefits as part of an offer made to encourage voluntary retirement. Termination benefits for cases of early voluntary retirement are expensed only if the Group has made an offer to encourage voluntary retirement, it is probable that the offer will be accepted, and the number of employees who will accept the offer can be reliably estimated. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted to present value.

l) Share-based payments

The Group has established a share-based payment plan for certain employees, whereby it recognizes an operating expense in the statement of comprehensive income and an increase in equity during the vesting period, measured at the fair value of the equity instruments granted. Vesting periods range from one to three years. In accordance with the plan, shares net of tax withholdings are granted to executives who meet the requirement of working uninterruptedly for the Group during the vesting period (see Note 19).

m) Accounts payable, accrued liabilities and provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provision amounts are determined as the present value of the expected outflow of resources to settle the obligation. The provisions are discounted using a pre-tax rate that reflects the current market conditions at the date of the statement of financial position and, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingent liabilities are recognized only when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Also, contingencies are recognized only when they generate a loss.

n) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognizes revenue when it transfers control over a good or service to a customer.

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policy
Hospitality services	Revenue from hospitality services is recognized as the service is rendered. The degree of completion used to determine the amount of revenue to be recognized is calculated based on a review of the work executed.	Revenue from hospitality services is recognized over time as the services are provided. The stage of completion for determining the amount of revenue to recognize is assessed as the performance obligation is satisfied. Trade advances presented as current liabilities correspond to amounts collected for future bookings, for which the hospitality service has not yet been rendered. Trade advances are recognized as revenue when the service is rendered.
Food and beverages	Revenue from food and beverages is recognized as such items are consumed at hotel restaurants.	Revenue from food and beverages is recognized over time as the services are rendered.
Rental income under IFRS 16 (Group as lessor)	Rental income is recognized on a straight-line basis over the lease term and presented as part of other operating income.	Revenue is recognized over time using the incurred cost method. Costs are directly expensed as incurred. Advances received are included in contract liabilities.
Revenue from management	Revenue from hotel management is recognized as the services are rendered.	The degree of completion to used determine the amount of revenue to be recognized is calculated based on a review of the work executed.
Loyalty program	The Group offers a loyalty program entitled "Krystal Rewards", through which customers can earn points known as "Krystales", which are redeemable in exchange for services. The equivalent monetary value of these points is deducted from revenue obtained from hospitality services and recognized as a deferred liability. The fair value of loyalty points is determined based on Management's estimates. "Krystal" points expire after two years.	Revenue from this service is recognized as the service is rendered. The degree of completion used to determine the amount of revenue to be recognized is calculated based on a review of the work executed.

o) Department costs

Department costs represent costs directly related to revenue from hotel services, food and beverages and other operating income. Such costs primarily include personnel costs (wages and salaries and other employee-related costs), consumption of raw materials and food and beverages.

The cost of food and beverage inventories represents the replacement cost of such inventories at the time of the sale, plus any decrease in the replacement cost or net realizable value of the inventories during the year.

p) Advertising expenses

Advertising expenses are expensed as incurred.

q) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

i. Group as a lessee

Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii. Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

r) Finance income and finance costs

Finance income includes interest income on invested funds. Interest income is recognized as it accrues in profit or loss, using the effective interest rate (EIR) method.

Finance costs include interest expenses on debt and bank fees. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the EIR method.

Foreign exchange gains and losses are recognized in the statement of comprehensive income on a net basis.

s) Income tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year for each individual Group entity. Current income tax is determined in accordance with legal and tax requirements for entities in Mexico, applying the tax rates that are enacted or substantively enacted at the reporting date, and any adjustments to taxes from prior years.

Deferred income tax is calculated for each individual Group entity using the asset and liability method. Under this method, deferred taxes are recognized on temporary differences between financial reporting and tax values of assets and liabilities.

Deferred tax is not recognized for the following temporary differences: temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future. Additionally, deferred taxes are not recognized for taxable temporary differences arising from the initial recognition of goodwill.

Deferred taxes are calculated applying the enacted income tax rate as of the date of the statement of financial position, or the enacted rate at the date of the statement of financial position that will be in effect when the temporary differences giving rise to deferred tax assets and liabilities are expected to be recovered or settled. Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off the recognized amounts and they relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the asset will be realized.

t) IFRIC Interpretation 23

The Group periodically evaluates positions taken in the tax returns with respect to situations where applicable tax regulations are subject to interpretation, and considers whether it is probable that the tax authorities will accept an uncertain tax treatment. Tax balances are determined based on the 'most likely amount method' or the 'expected value' method, depending on which approach best predicts the resolution of the uncertainty.

u) Employee profit sharing

Current employee profit sharing is determined based on current tax laws and regulations. Under Mexican law, entities are required to distribute 10% of their taxable profit to their employees. Employee profit sharing is presented as part of indirect costs under "Administrative expenses" in the statement of comprehensive income.

As a result of the labor outsourcing reform, as of September 1st, 2021 the method used to calculate employee profit sharing was modified. New requirements were established, whereby the employee profit sharing payable to each employee is capped at three times their current monthly wage or the average employee profit sharing received by the employee in the three prior years (assigned employee profit sharing), whichever is higher.

If the amount of employee profit sharing determined by applying the 10% rate to taxable profit is higher than the sum of the employee profit sharing allocated to each employee, the latter must be considered as the amount of employee profit sharing payable for the period. In accordance with the Mexican Labor Law, the difference between these two amounts does not generate a payment obligation either in the current or future periods.

If current employee profit sharing calculated using a 10% rate of an entity's taxable profit is equal to or less than the amount of the employee profit sharing assigned to each employee, the former shall be considered as the current employee profit sharing for the period.

v) Contingencies

Contingent liabilities are recognized only when it is probable that they will be realized and the amount of the obligation can be reasonably measured. When the amount of the obligation cannot be reliably measured, a qualitative disclosure is included in the notes to the consolidated financial statements. Contingent revenue, earnings or assets are recognized only when it is virtually certain that they will be realized.

w) Segment information

Segment results reported by the Group's Board of Directors (decision makers) include items directly attributable to a specific segment, as well as any items that can be reasonably identified and allocated to that segment. Expense items that cannot be directly attributed to hotels (Urban and Resort), such as salaries, office rentals and other administrative expenses, among others, are presented as part of the "Operadora" segment.

x) Basic earnings per share

The Group presents basic earnings per share (EPS) attributable to ordinary shareholders. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year and adjusted based on the shares held by the Group.

4. NEW ACCOUNTING PRONOUNCEMENTS

Information on new International Financial Reporting Standards (IFRS) that are issued but which are effective for annual periods beginning on or after January 1st, 2021 and 2020 are disclosed below. This information considers the applicable accounting rules under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Covid-19-Related Rent Concessions beyond June 30th, 2021 Amendments to IFRS 16

In response to the ongoing impact of the COVID-19 pandemic, on March 31st,2021 the IASB extended by one year the application period of the practical expedient in IFRS 16 Leases to help lessees accounting for COVID-19-related rent concessions. The IASB has extended the relief by one year to cover rent concessions that reduce only lease payments due on or before June 30th, 2022.

The amendment is effective for annual reporting periods beginning on or after April 1st, 2021. A lessee applies the amendment retrospectively. As such, it would recognize the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the amendment is first applied. A lessee is permitted to apply the amendment early, including in financial statements not authorized for issue as at March 31st, 2021. The adoption of this amendment did not have a material effect on the Group's financial statements.

Interest Rate Benchmark Reform—Phase 2—Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

On August 27th, 2020, the IASB finalized its response to the ongoing reform that phases out interest rate benchmarks, such as interbank offered rates (IBOR) by issuing a package of amendments to the following IFRS:

- IFRS 9 Financial Instruments
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRS 7 Financial Instruments: Disclosures
- IFRS 4 Insurance Contracts
- IFRS 16 Leases

The amendments are aimed at helping companies to provide investors with useful information about the effects of the reform on those companies' financial statements. IBOR are interest reference rates that are published daily and that represent the cost of obtaining unsecured funding in a particular combination of currency and maturity. In view of concerns arising from attempts to manipulate reference rates in recent years, regulators from all over the world have undertaken a radical reform of these benchmark rates in order to increase their long-term viability in international financial markets. The reforms aim to replace interbank offered rates with alternative risk-free rates (RFR), which are based on liquid transactions in the underlying market and are not reliant on expert judgment.

Phase I Amendments

The first phase of IASB's reform project focused on providing temporary exceptions to allow entities to continue applying hedge accounting during the period of uncertainty before IBOR rates are replaced. The first phase culminated in 2019 with amendments to IFRS 9, IAS 39 and IFRS 7, which became effective on January 1st, 2020.

Phase II Amendments

Phase II amendments complement those issued in Phase I and focus on the effects on financial statements when an entity replaces the old interest rate benchmark with an alternative benchmark rate. These amendments primarily relate to:

- changes to contractual cash flows—an entity will not have to derecognize or adjust the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;

- hedge accounting—an entity will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and

- disclosures—an entity will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The Phase II amendments are effective for annual periods beginning on or after January 1st, 2021. The amendments require full retrospective application, with certain exceptions. Entities are not required to restate their financial statements from prior years. The amendments had no effect on the Group's financial statements.

Amendments to IFRS 3 Business Combinations—Reference to the Conceptual Framework

On May 14th, 2020, the IASB issued a series of narrow-scope amendments, including amendments to IFRS 3 Business Combinations. The amendments update the references to the Conceptual Framework issued in 2018 used to determine what constitutes an asset or a liability in a business combination. In addition, the IASB added a new exception in IFRS 3 specifying that for certain types of liabilities and contingent liabilities, entities applying IFRS 3 should refer to IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies instead of the 2018 Conceptual Framework. Without this exception, an entity would have recognized some liabilities on the acquisition of a business that it would not recognize under IAS 37.

These amendments are to be applied prospectively to all business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1st, 2022, with early application permitted. Management does not believe that the adoption of these amendments will have a material effect on the Group's consolidated financial statements.

Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use

As part of the narrow-scope amendments published in May 2020, the IASB issued amendments to IAS 16 Property, Plant and Equipment, which prohibit entities from deducting sales proceeds from the cost of an item of property, plant and equipment while that asset is being made available for use. Instead, the entity would recognize those sales proceeds and related costs in profit or loss.

The amendments also clarify that an entity is "testing whether an asset is functioning properly" when it assesses the asset's technical and physical performance. These amendments are effective for annual periods beginning on or after January 1st,2022, with early application permitted. Such amendments are to be applied retrospectively, but only on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The cumulative effect of initially applying the amendments is recognized as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the amendment is first applied.

Management is assessing what effects the adoption of these amendments will have on the Group's consolidated financial statements.

Amendments to IAS 37 Onerous Contracts – Costs of Fulfilling a Contract

The third standard amended by the IASB in May 2020 was IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments clarify that the direct cost of fulfilling a contract includes both the incremental costs of the contract (e.g. direct labor costs and materials) as well as the allocation of other costs that relate directly to the cost of fulfilling a contract (e.g., allocation of depreciation expense to an item of property, plant and equipment used to fulfill the contract).

These amendments are effective for annual periods beginning on or after January 1st, 2022, with early application permitted. The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Restatement of comparative information is not required. The cumulative effect of initially applying the amendments is recognized as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the amendment is first applied.

Management is assessing what effects the adoption of these amendments will have on the Group's consolidated financial statements.

Annual Improvements 2018-2020 Cycle

On May 14th, 2020, the IASB issued several small amendments to IFRS in order to clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards. The amendments that may potentially impact the Group are as follows:

IFRS 9 Financial Instruments: This amendment clarifies that – for the purpose of performing the '10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

These amendments are effective for annual periods beginning on or after January 1st, 2022, with early application permitted.

An entity will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

IFRS 16 Leases, Illustrative Example 13: The amendment removes potential for confusion regarding lease incentives. Before the amendment, Illustrative Example 13 had included as part of the fact pattern a reimbursement relating to leasehold improvements. The example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in IFRS 16. The IASB decided to remove the potential for confusion by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements.

Management does not believe that the adoption of these amendments will have a material effect on the Group's consolidated financial statements.

Amendments to IAS 1 Classification of Liabilities as Current or Non-Current

On January 23rd, 2020, the IASB issued narrow-scope amendments to IAS 1 Presentation of Financial Statements to clarify that debt and other liabilities are classified as current or non-current. The amendments clarify that a liability is classified as non-current if, at the reporting date, the entity has a substantial right to defer settlement of the liability for at least 12 months. Classification is not affected by the entity's expectations about events after the reporting date. The amendments include clarifying the classification requirements for debt an entity might settle by converting it into equity.

The amendments affect only the presentation of liabilities as current or non-current in the statement of financial position, and not the amount or timing of their recognition, nor the related disclosures. However, they could result in entities reclassifying some liabilities from current to non-current, and vice versa. This could affect an entity's loan covenants.

These amendments are to be applied retrospectively for annual periods beginning on or after January 1st, 2023. In response to the COVID-19 pandemic, in July 2020 the IASB deferred the amendment's effective date by one year (originally set for January 1st, 2022) to provide entities with more time to implement any classification changes resulting from those amendments. Early adoption is permitted.

Management is assessing what effects the adoption of these amendments will have on the Group's consolidated financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments—Disclosure of Accounting Policies

On February 12th, 2021, as the final phase of its improvements to materiality judgments, the IASB issued narrow-scope amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments, in order to help entities improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements. The amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies.

The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

These amendments are effective for annual periods beginning on or after January 1st, 2023, with early application permitted. Management is assessing what effects the adoption of these amendments will have on the Group's consolidated financial statements.

Amendments to IAS 8 Definition of Accounting Estimates

On February 12th, 2021, the IASB issued narrow-scope amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in order to help entities distinguish changes in accounting estimates from changes in accounting policies. That distinction is important because changes in accounting estimates are to be applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The amendments are effective for annual periods beginning on or after January 1st, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the entity applies the amendments.

Management is assessing what effects the adoption of these amendments will have on the Group's consolidated financial statements.

Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

On May 7th, 2021, the IASB issued targeted amendments to IAS 12 Income Taxes to specify how entities should account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations—transactions for which entities recognize both an asset and a liability. The amendments clarify that the exemption does not apply and that entities are required to recognize deferred tax on such transactions.

The amendments are effective for annual periods beginning on or after January 1st, 2023, with early application permitted. Management is assessing what effects the adoption of these amendments will have on the Group's consolidated financial statements.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On May 28th, 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases.

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification.

A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

An entity applies those amendments for annual reporting periods beginning on or after July 1st, 2020, with early application permitted. The adoption of these amendments had no effect on the Group's consolidated financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after January 1st, 2020, but certain transition reliefs are available. The Group applied the interpretation from its effective date.

Since the Group operates in a multinational tax environment, applying the Interpretation may affect its consolidated financial statements and the required disclosures. In addition, the Group established processes and procedures to obtain information that is necessary to apply the Interpretation correctly. Based on the analysis performed, the Group does not expect any effect on its consolidated financial statements as a result of the adoption of this new accounting standard.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from January 1st, 2020, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group.

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from January 1st, 2020, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

These amendments are effective for annual periods beginning on or after January 1st, 2020, with early application permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

Amendments to IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

These amendments are effective for annual periods beginning on or after January 1st, 2020, with early application permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

Amendments to IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1st, 2020, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7

These amendments address the recognition of the effects of the interest rate benchmark reform that was issued in September 2020 to set out guidelines for accounting for the effects that the interest rate benchmark reform will have on hedging relationships. This reform consists of replacing the interest rate benchmarks currently used to determine the interest rates for financial instruments (e.g., the Mexican Weighted Interbank Interest Rate, or TIIE; and the London Interbank Offered Rate, or LIBOR) with alternative benchmark rates.

The accounting effects of the interest rate benchmark reform will be varied and may range from changes to contracts designated using the current benchmarks to accounting changes in hedging relationships that result in the hedge no longer being effective due to the uncertainty caused by the change.

The amendments indicate that, until the new interest rate benchmarks are established, it should be assumed that the instrument's current interest rate benchmark will continue to exist until the termination of the hedging relationship and that the effectiveness requirements will continue to be met. If an entity concludes that the new benchmarks will cause a hedging relationship to no longer meet the effectiveness requirements, hedge accounting of the relationship should be discontinued.

The amendments also establish new disclosures related to hedging relationships that are in the process of transitioning to the new interest rate benchmarks.

These amendments are effective for annual periods beginning on or after January 1st, 2020. However, in order to avoid having hedging relationships be discontinued in 2020 and reinstated in 2021 as a result of the future uncertainty of the interest rate benchmarks, it is recommended that entities early adopt the amendments in 2020, which will eliminate the need for retrospective recognition of the reinstatement of hedge accounting.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after January 1st, 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1st,2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Management is analyzing the effects that the adoption of these amendments will have on the Group's consolidated financial statements.

5. FINANCIAL RISK MANAGEMENT

The Group is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Foreign currency risk
- Interest rate risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Management is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Board of Directors oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations, and arises primarily from the Group's accounts receivable.

Trade receivables, related party receivables and other accounts receivable

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Since the Group provides its services to a large number of customers, there is no significant concentration of business in any one customer.

Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered for hospitality services. The Group's review includes external ratings, if they are available, and in some cases bank references. Credit limits are established for each customer, representing the maximum amount available. Customers who fail to meet the Group's creditworthiness requirements can only carry out transactions if such transactions are paid in advance or in cash to the Group.

In response to the COVID-19 pandemic, Group management has carried out periodic reviews of credit limits for customers who were significantly affected by the pandemic.

The Group creates a provision for impairment losses representing its best estimate of expected losses in respect of trade receivables and other accounts receivable. The primary factors in this provision are a specific ECL component that corresponds to significant individual risks. The provision is recognized as part of other income in the statement of comprehensive income.

Investments

The Group limits its exposure to credit risk by investing only in "over-the-counter" securities, which are highly liquid and low risk.

Guarantees

The Group's policy is to provide financial guarantees only for liabilities of subsidiaries in which it holds at least a 90% equity interest.

As at December 31st, 2021, the Group received a loan from BBVA Bancomer, S.A. Institución de Banca Múltiple, guaranteed by the subsidiaries Servicios de Inmuebles Turísticos, S. de R.L. de C.V. and Chartwell Inmobiliaria Monterrey, S. de R.L. de C.V. (see Note 15).

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation (see Note 20).

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations, over a period of 30 days. This excludes the possible impact of extreme circumstances that are not reasonably predictable, such as natural disasters, for which the Group has contracted insurance policies.

The measures taken by the Group to respond to potential future liquidity constraints arising from the COVID-19 pandemic and the impact of these measures on the consolidated financial statements include the following:

- The Group has increased its flexibility in relation to booking, cancellation and modification policies to be more accommodative to its guests;
- The Group has negotiated with its workforce to obtain enough support to maintain its hotels without the need to suspend operations;
- The Group has established strict cost and expense controls primarily including: i) negotiation of adjustments to payment terms and price reductions with suppliers in order to guarantee liquidity during upcoming months; and ii) maintenance that supports operations and adaptation to new sanitary measures;
- The Group has renegotiated its debt agreements and entered into debt amending agreements in April, May and June 2020 with BBVA Bancomer, S.A. to defer the payment of principal and interest for up to 6 months; with Banco Sabadell, S.A. for up to 12 months starting in June and September 2020; and with Banco Santander México and Banco Ve por Más, S.A. for six months, starting in June 2020.
- In October, November and December 2020, the Group entered into new debt amending agreements with BBVA Bancomer, S.A. to defer the payment of principal and interest for up to six months.
- In November 2020, Banorte, S.A. granted a revolving line of credit through a promissory note from which the principal and interest are paid.
- At an Ordinary Shareholders' Meeting held on October 1st, 2020, the shareholders approved a capital increase of $500,000 through shares subscribed and paid in full by the Group's shareholders.
- In December 2021, the Group obtained waivers from banks in relation to the breach of affirmative and negative covenants, guaranteeing that the debt will not be due within the next 12 months (i.e., from January 1st to December 31st, 2022).

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The Group is exposed to currency risk primarily from the rendering of services and loans denominated in a currency other than its functional currency (Mexican peso). The foreign currency in which these transactions are mainly denominated is the U.S. dollar (USD).

Interest on loans is denominated in the currency of the loan (U.S. dollar).

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept at an acceptable level by buying or selling foreign currencies in cash or at spot rates when necessary to address short-term imbalances.

Interest rate risk

Interest rate fluctuations affect the fair value (fixed-rate instruments) or future cash flows (variable-rate instruments) of debt instruments. Management does not have formal policies in place to determine how much of its exposure should be at fixed or variable rates. However, when obtaining new loans, management applies judgment to determine whether a fixed or a variable rate would be more favorable for the Group over the life of loan.

The Group's policy is to hedge against benchmark rates of its bank loans based on market conditions. Currently, the Group holds a current position in interest rate options (LIBOR and TIIE) that serve to limit interest rates in variable rate loans.

Capital management

The Group aims to maintain a strong capital base to meet its operating and strategic needs and maintain confidence among market participants. This is achieved through optimal cash management, continuous monitoring of revenue and profits, and long-term investment plans that are used to finance the Group's operating cash flows. Through these measures, the Group seeks to achieve constant profitability.

6. BUSINESS COMBINATIONS AND GOODWILL

Identifiable assets acquired and liabilities assumed

An analysis of identifiable assets acquired and liabilities assumed in business combinations is as follows:

Grupo Inmobiliario 1991, S.A. de C. V

On August 18th, 2018, the Group, through a shareholder resolution of the subsidiary Inmobiliaria K Suites, S.A.P.I. de C.V., agreed to a capital contribution in Grupo Inmobiliario 1991, S.A. de C.V. of $132,000 through the capitalization of debt owed to Inmobiliaria K Suites 1991, S.A.P.I. de C.V., through which the Group acquired a 50%-stake in the company.

The property owned by Grupo Inmobiliario 1991 is the hotel "Krystal Grand Suites 1991", which currently has 150 rooms and is operated by a subsidiary of the Group.

The acquisition of the aforementioned hotel was financed through a bank loan obtained by a subsidiary of the Group.

Business combinations are accounted for using the acquisition method at the acquisition date (the date when the Group acquires control of an entity). Management determined that the Group has achieved control as it: i) has power over Grupo Inmobiliario 1991, S.A. de C. V.; ii) is exposed, or has rights, to variable returns from its involvement with Grupo Inmobiliario 1991, S.A. de C. V; and iii) has the ability to affect those returns through its power over Grupo Inmobiliario 1991, S.A. de C.V.

As a result of the recognition of the acquisition in accordance with IFRS 3 Business Combinations, the Group recognized goodwill net of deferred tax of $22,762 using the acquisition method at the date of acquisition, which is the date on which control is transferred to the Group.

Inmobiliaria Hotelera del Bajío S.F., S.A. de C.V.

On August 24th, 2018, the Group agreed to a variable capital increase in its 50%-owned subsidiary Inmobiliaria Hotelera del Bajío S.F., S.A.de C.V. ("IHB") of $128,250, through which the share capital of IHB was increased to 256,503,000 shares, with a proportional share being subscribed by the other partner.

With the funds obtained, on the same date the subsidiary acquired property, furniture and equipment in the city of León, Guanajuato, consisting of a hotel with 140 rooms that operates under the name "Hotel Hyatt Centric Campestre León" and is operated by the Group.

The capital contribution was financed through a bank loan obtained by a subsidiary of the Group.

Business combinations are accounted for using the acquisition method as of the acquisition date (the date when the Group acquires control of an entity). Management determined that the Group has achieved control as it: i) has power over Hotelera del Bajío S.F., S.A. de C.V.; ii) is exposed, or has rights, to variable returns from its involvement with Hotelera del Bajío S.F., S.A. de C.V.; and iii) has the ability to affect those returns through its power over Hotelera del Bajío S.F., S.A. de C.V.

As a result of the recognition of the acquisition in accordance with IFRS 3 Business Combinations, the Group did not recognize goodwill because the acquired goods were measured at fair value.

ICD Sitra, S.A. de C.V. y Sibra Vallarta, S.A. de C.V.

On February 21st, 2017, the Group entered into an agreement whereby it agreed to subscribe a capital increase in the variable portion of the share capital of ICD Sitra, S.A. de C.V. (Sitra), thereby acquiring a 50%-stake in the entity.

Sitra's assets include a hotel with 454 Gran Turismo rooms, which will be operated by the Group under the "Krystal Grand" brand under the name "Krystal Grand Los Cabos".

On February 28th, 2017, the Group entered into an agreement whereby it agreed to subscribe a capital increase in the variable portion of the share capital of Sibra Vallarta, S.A. de C.V. (Sibra), thereby acquiring a 50%-stake in the entity.

Sibra's assets include a hotel with 480 Gran Turismo rooms, which will be operated by the Group under the "Krystal Grand" brand under the name "Krystal Grand Nuevo Vallarta".

The acquisition of the aforementioned hotels was financed with funds from the Subsequent Public Offering of shares in Mexico and Chile that took place on July 7th, 2016 (see Note 1).

Business combinations are accounted for using the acquisition method as of the acquisition date (the date when the Group acquires control of an entity). Management determined that the Group has achieved control as it: i) has power over Sitra and Sibra; ii) is exposed, or has rights, to variable returns from its involvement with Sitra and Sibra; and iii) has the ability to affect those returns through its power over Sitra and Sibra.

As a result of the recognition of the acquisition in accordance with IFRS 3 Business Combinations, the Group recognized goodwill net of deferred tax of $224,059 using the acquisition method at the date of acquisition, which is the date on which control is transferred to the Group.

As at December 31st, 2021, the Group recognized impairment $9,198 in the value of goodwill corresponding to Sitra. Accordingly, as at December 31st,2021, the goodwill of both entities in the amount of $224,059 decreased by the impairment amount. The current balance of goodwill arising from this acquisition is $214,861, which corresponds to Sibra.

Moteles y Restoranes María Bárbara, S.A. de C.V.

On May 7th, 2015, the Group acquired a hotel located in the State of Mexico, in the Municipality of Naucalpan, with 215 rooms operating under the name "Krystal Satélite María Bárbara" for an amount of $205,265. The identifiable assets acquired and liabilities assumed in the acquisition of this entity gave rise to goodwill of $62,130, which was recognized in the financial statements on the date on which the transaction occurred.

Inmobiliaria en Hoteleria Cancún Santa Fe, S.A. de C.V.

On September 24th, 2013, the Group acquired a hotel located in the city of Cancun, Quintana Roo, Mexico. The identifiable assets acquired and liabilities assumed in the acquisition of this entity gave rise to goodwill of $45,864, which was recognized in the financial statements on the date on which the transaction occurred.

7. BUSINESS SEGMENT INFORMATION

Basis for segmentation

The Group has three operating segments, which are classified by type of service due to the similarity of their economic characteristics:

- Urban Services
- Resort Facilities
- Operator and Holding

The Urban segment comprises City hotels, the Resort segment comprises beachfront hotels, and the Operator and Holding segment comprises third-party hotels and administrative services.

Operating segment performance is measured based on the total revenue and operating profit of each operating segment, since Management believes that such information is the most appropriate to evaluate performance. An analysis of the financial information of each operating segment is as follows:

	2021			
	Urban	Resort	Operator and Holding	Consolidated
Total operating profit	$ 372,671	$ 1,288,489	$ 99,393	$ 1,760,553
Depreciation and amortization	88,124	165,464	11,470	265,058
Operating profit/(loss)	6,132	237,626	(174,078)	69,680
Consolidated net (loss)/profit	$ (40,805)	$ 162,286	$ (154,893)	$ (33,412)

	2020			
	Urban	Resort	Operator and Holding	Consolidated
Total operating profit	$ 228,485	$ 790,631	$ 51,419	$ 1,070,535
Depreciation and amortization	89,649	135,758	11,040	236,451
Operating loss	(55,595)	(66,517)	(166,078)	(288,132)
Consolidated net loss	$ (261,994)	$ (48,631)	$ (210,556)	$ (521,181)

An analysis of the Group's consolidated financial position for 2021 and 2020 is as follows:

	2021			
	Urban	Resort	Operator and Holding	Consolidated
Total assets	$ 3,350,127	$ 5,908,000	$ 1,587,300	$ 10,845,427
Total liabilities	1,233,812	3,090,655	558,917	4,883,384

	2020			
	Urban	Resort	Operator and Holding	Consolidated
Total assets	$ 3,367,662	$ 5,505,196	$ 1,386,628	$ 10,259,486
Total liabilities	1,072,836	3,001,341	193,541	4,267,718

8. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

An analysis of cash, cash equivalents and restricted cash as at December 31st, 2021 and 2020 is as follows:

	2021	2020
Cash	$ 346,059	$ 305,333
Short-term investments	218,664	233,800
Total current cash and cash equivalents	564,723	539,133
Long-term restricted cash (1)	91,296	104,657
Total cash and cash equivalents	**$ 656,019**	**$ 643,790**

(1) Restricted cash comprises certain deposits to guarantee payment of bank loans.

A reconciliation of cash, cash equivalents and restricted cash presented in the statement of financial position, the total sum of which is consistent with the amount shown in the statement of cash flows, is as follows:

	2021	2020
Cash and cash equivalents	$ 564,723	$ 539,133
Long-term restricted cash	91,296	104,657
Total cash, cash equivalents and restricted cash recognized in the statement of cash flows	**$ 656,019**	**$ 643,790**

9. ACCOUNTS RECEIVABLE

An analysis of accounts receivable as at December 31st,2021 and 2020 is as follows:

		2021		2020
Guests and travel agencies	$	44,399	$	85,257
Vacation Club		34,036		-
Airlines		45,195		10,601
		123,630		95,858
Less: allowance for doubtful accounts		5,296		3,451
Total accounts receivable	**$**	**118,334**	**$**	**92,407**

The Group's exposure to credit and foreign exchange risks and impairment losses related to accounts receivable is disclosed in Note 20.

10. RELATED PARTY BALANCES AND TRANSACTIONS

a) Control relationships

As at December 31st, 2021, the Group's share capital is comprised as follows:

- Casa de Bolsa Ve por Más, S.A. de C.V., Grupo Financiero Ve Por Más, Fiduciary division as trustee of Trust 154 (the "Control Trust"), which holds 16.80% of the Group's share capital.
- The remaining 83.20% is held by the investing public.

The Group's ultimate parent is the Control Trust.

b) Key management personnel compensation

Key management personnel received the following salary compensation, which is recognized as part of personnel costs as shown below (see Note 21):

		2021		2020
Short-term employee benefits	**$**	**49,617**	**$**	**40,919**

c) Other related party transactions

An analysis of other related party transactions for the years ended December 31st, 2021 and 2020 is as follows:

i. Revenue

	Transaction value			
		2021		2020
Base management fees:				
Hotelera Chicome, S.A. de C.V.	$	11,441	$	6,397
Promotora Turística Mexicana, S.A. de C.V.		5,983		4,543
Hotelera Caracol, S.A. de C.V.		4,343		2,917
Consorcio Hotelero Aeroportuario Monterrey, S.A.P.I. de C.V.		1,574		978
Incentive fees:				
Hotelera Chicome, S.A. de C.V.	$	11,664	$	5,504
Promotora Turística Mexicana, S.A. de C.V.		6,201		4,192
Hotelera Caracol, S.A. de C.V.		4,197		2,238
Consorcio Hotelero Aeropuerto Monterrey, S.A.P.I. de C.V.		2,073		619
Interest income:				
Roseg, S.A. de C.V.		651	$	104

		Transaction value		
		2021		2020
Corporate and international advertising revenue:				
Hotelera Chicome, S.A. de C.V.	$	5,993		2,872
Promotora Turística Mexicana, S.A. de C.V.		2,121		1,446
Hotelera Caracol, S.A. de C.V.		1,978		886
Other income:				
Hotelera Chicome, S.A. de C.V.	$	4,224	$	6,881
Promotora Turística Mexicana, S.A. de C.V.		1,141		731
Consorcio Hotelero Aeropuerto Monterrey, S.A.P.I. de C.V.		237		82
Hotelera Caracol, S.A. de C.V.		660		350
Servicios Corporativos Krystal Cancún, S.A. de C.V.		20		39
Servicios Corporativos Krystal Vallarta, S.A. de C.V.		20		39
Servicios Corporativos Krystal Ixtapa, S.A. de C.V.		20		39
Servicios Hoteleros Aeropuerto Monterrey, S.A. de C.V.		20		39

ii. Expenses

		Transaction value		
		2021		2020
Recoverable expenses:				
Promotora Turística Mexicana, S.A. de C.V.	$	7,339	$	7,195
Hotelera Caracol, S.A. de C. V		47		59
Hotelera Chicome, S.A. de C.V.		74		40
Servicios Krystal Ixtapa, S.A. de C. V		83		-
Servicios Corporativos Krystal Vallarta, S.A. de C. V		107		-

		Transaction value		
		2021		2020
Administrative service expenses:				
Servicios Administrativos Chartwell, S.A. de C.V.	$	3,645	$	3,553
Grupo Circum, S.A. de C.V.		-		951
Rent:				
Inmobiliaria de la Parra, S. de R.L. de C.V.	$	6,781	$	6,945
Extraordinary fees (Note 14):				
Hotelera Chicome, S.A. de C.V.	$	-	$	4,270
Promotora Turística Mexicana, S.A. de C.V.		-		3,246
Hotelera Caracol, S.A. de C.V.		-		2,155

iii. Pricing policies

In the determination of the prices charged in transactions with related parties, such prices are similar to the prices that would have been used with or between independent parties in comparable transactions.

An analysis of balances due from and to related parties as at December 31st, 2021 and 2020 is as follows:

		2021		2020
Receivables:				
Roseg, S.A. de C.V. (1)	$	6,446	$	8,256
Hotelera Chicome, S.A. de C.V.		2,836		3,402
Hotelera Caracol, S.A. de C.V.		1,762		1,018
Servicios Integrales Parimba, S.A. de C.V.		345		164
Consorcio Hotelero Aeroportuario Monterrey, S. de R.L. de C.V.		316		21
Administración S.F. Reforma, S. de R.L. de C.V.		218		218
Nexxus Capital Private Equity Fund III, L. P.		2		2
Comercializadora MP, S.A. de C.V.		2		2
Operadora mexpla Puerto Bajio, S.A. de C.V.		-		32
Total related party receivables	**$**	**11,927**	**$**	**13,115**

		2021		2020
Payables:				
Promotora Turística Mexicana, S.A. de C.V.	$	9,618	$	5,182
Grupo ICD Sitra, S.A. de C.V.		5,730		12,567
Servicios Corporativos Krystal Vallarta, S.A. de C.V.		124		13
Operadora Inca, S.A. de C.V.		88		515
Servicios Corporativos Krystal Cancun, S.A. de C.V.		81		18
Roseg, S.A. de C.V.		37		-
Servicios Integrales Parimba, S.A. de C.V.		4		-
Inmobiliaria en Hoteleria Querétaro SF, S.A. de C.V.		3		3
Inmobiliaria Hotelera de la Peninsula, S.A. de C.V.		2		-
Servicios Hoteleros Aeropuerto Monterrey, S.A. de C.V.		-		12
Servicios Krystal Ixtapa, S.A. de C.V.		-		9
Total related party payables	**$**	**15,687**	**$**	**18,319**

(1) This caption includes a term loan that the Company has extended to Roseg, S.A. de C.V. for financing of USD 2,000,000. The loan bears interest at a fixed rate of 10%, payable in 20 monthly installments commencing as of August 1st, 2019 and due on March 1st, 2021. As at December 31st, 2021, the Group has collected principal payments of USD 1,829,942 and interest of USD 69,616. The outstanding balance of principal as at December 31st, 2021 is $303,294 and of accrued interest is $5,961.

(2) As at December 31st, 2021 and 2020, balances receivable due from and payable due to related parties correspond to hotel management and operation agreements, and current account balances that bear no interest and have no specific maturities.

The Group's exposure to credit and liquidity risks related to related party payables is disclosed in Note 20.

11. RECOVERABLE TAXES

An analysis of recoverable taxes as at December 31st, 2021 and 2020 is as follows:

		2021		2020
Recoverable value added tax	$	371,877	$	333,500
Recoverable income tax		49,250		57,713
Other		1,301		639
	$	**422,428**	**$**	**391,852**

The Group's exposure to credit risks related to accounts receivable is disclosed in Note 20.

12. INVENTORIES

An analysis of inventories as at December 31st, 2021 and 2020 is as follows:

		2021		2020
Food	$	7,953	$	5,436
Beverages		5,264		4,573
Other operating supplies		9,810		11,621
	$	**23,027**	**$**	**21,630**

For the years ended December 31st, 2021 and 2020, inventories are recognized in profit or loss as part of cost of sales.

13. PROPERTY, FURNITURE AND EQUIPMENT

An analysis of property, furniture and equipment is as follows:

Investment	**Land**	**Operating equipment**	**Buildings**	**Furniture and equipment**	**Construction in process**	**Total**
Balance as at 31 December 2020	$ 1,862,624	$ 115,085	$ 6,223,001	$ 1,066,199	$ 652,795	$ 9,919,704
Acquisitions (1)	**-**	**1,759**	**28,759**	**10,629**	**365,262**	**406,409**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**
Transfers		**-**	**25,237**		**(25,237)**	**-**
Balance as at 31 December 2021	**$ 1,862,624**	**$ 116,844**	**6,276,997**	**1,076,828**	**992,820**	**10,326,113**

Investment	Land	Operating equipment	Buildings	Furniture and equipment	Construction in process	Total
Balance as at 31 December 2019	$ 1,862,624	$ 112,112	$ 6,203,928	$ 1,055,589	$ 599,501	$ 9,833,754
Acquisitions	-	4,019	16,046	10,845	57,153	88,063
Disposals	-	(1,046)	-	(1,067)	-	(2,113)
Transfers	-	-	3,027	832	(3,859)	-
Balance as at 31 December 2020	$ 1,862,624	$ 115,085	$ 6,223,001	$ 1,066,199	$ 652,795	$ 9,919,704

Accumulated depreciation	**Land**	**Operating equipment**	**Buildings**	**Furniture and equipment**	**Construction in process**	**Total**
Balance as at 31 December 2020	$ -	$ -	$ 849,902	$ 491,499	$ -	$ 1,341,401
Depreciation for the year	**-**	**-**	**112,956**	**148,279**	**-**	**261,235**
Balance as at 31 December 2021	**$ -**	**$ -**	**$ 962,858**	**$ 639,778**	**$ -**	**$ 1,602,636**

Accumulated depreciation	Land	Operating equipment	Buildings	Furniture and equipment	Construction in process	Total
Balance as at 31 December 2019	$ -	$ -	$ 718,576	$ 390,274	$ -	$ 1,108,850
Depreciation for the year	-	-	131,326	102,292	-	233,618
Disposals	-	-	-	(1,067)	-	(1,067)
Balance as at 31 December 2020	$ -	$ -	$ 849,902	$ 491,499	$ -	$ 1,341,401

Impairment	**Land**	**Operating equipment**	**Buildings**	**Furniture and equipment**	**Construction in process**	**Total**
Balance as at 31 December 2020	$ -	$ -	$ 86,802	$ -	$ -	$ 86,802
Increases	**-**	**-**	**-**	**-**	**-**	**-**
Reversals			**-**	**-**		**-**
Balance as at 31 December 2021	**$ -**	**$ -**	**$ 86,802**	**$ -**	**$ -**	**$ 86,802**

Impairment	Land	Operating equipment	Buildings	Furniture and equipment	Construction in process	Total
Balance as at 31 December 2019	$ -	$ -	$ 34,841	$	$ -	$ 34,841
Increases (2)	-	-	86,802		-	86,802
Reversals (3)	-	-	(34,841)		-	(34,841)
Balance as at 31 December 2020	$ -	$ -	$ 86,802	$	$ -	$ 86,802

Carrying amount:						
Balance as at 31 December 2021	**$ 1,862,624**	**$ 116,844**	**$ 5,169,530**	**$ 469,620**	**$ 1,018,057**	**$ 8,636,675**
Balance as at 31 December 2020	$ 1,862,624	$ 115,085	$ 5,286,297	$ 574,700	$ 652,795	$ 8,491,501

As at December 31st, 2021 and 2020, the estimated cost to complete construction in process amounts to $88,912 and $457,900, respectively.

(1) Includes bank interest of $14,313 for construction in process
(2) ICD Sitra S.A. de C.V.
(3) Chartwell Inmobiliaria de Juárez, S. de R.L. de C.V.
(4) In 2021, construction in process corresponds to the construction of the Hyatt Insurgentes 724 hotel. In 2020, construction in process corresponds to renovations made in Hilton Guadalajara, Krystal Grand los Cabos, Krystal Grand Nuevo Vallarta, Krystal Grand Cancun, Hilton Puerto Vallarta, as well as the construction of the Hyatt Insurgentes 724 Hotel (IHI).

For the year ended December 31st, 2021, there were no indicators of impairment in the value of the Group's long-lived assets. For the year ended December 31st, 2020, the Group recognized an impairment loss in the value of its long-lived assets of $86,802, an impairment in goodwill of $9,198 and a reversal of impairment losses recognized in prior years of $34,841, giving rise to a net effect in profit or loss of $61,159, determined in accordance with the provisions of IAS 36 Impairment of Assets.

Depreciation expense for the years ended December 31st, 2021 and 2020 was $261,235 and $233,618, respectively.

14. OTHER ASSETS

An analysis of other assets is as follows:

	2021	2020
Extraordinary fees (1)(2)(3)(4)(5)	$ 58,943	$ 38,271
Accounts receivable - Vacation Club (6)	90,365	-
Security deposits (7)	50,000	-
Other	6,317	5,883
	205,625	44,154
Less:		
Accumulated amortization	11,772	7,949
	$ 193,853	**$ 36,205**

(1) On February 23rd,2020, Hotelera SF, S. de R.L. de C.V. (the Operator) entered into hotel management and operation agreements with Hotelera Chicome, S.A. de C.V., Hotelera Caracol, S.A. de C.V. and Promotora Turística Mexicana, S.A. de C.V. (the Owners), whereby the Owners entrust the Operator, and the Operator agrees and undertakes, to manage and operate the hotels, which will be sold under the "Krystal" brand name.

These agreements are for a term of ten years commencing on February 23rd, 2020 (date of start of operations). The agreements establish an extraordinary fee payable to the Owners for having chosen the Operator. The Operator will pay the Owners on a monthly basis over 60 months after the start of operations advances on a predetermined monthly extraordinary fee consisting of 4% of gross income plus VAT. The extraordinary fee will be paid by the Operator over a 120-month period beginning on February 23rd, 2020.

For the year ended December 31st, 2021, the amount of this fee carried to the statement of comprehensive income was $806.

(2) On November 1st, 2017, Hotelera SF, S. de R.L. de C.V. entered into a hotel management and operation agreement with Parimba, S.A.P.I. de C.V., for the management and operation of a 144-room hotel, which will be sold under the "Hyatt Place Aguascalientes" brand and trade name. The agreement establishes the payment of an extraordinary fee of $12,000 as consideration for having been chosen by the owner to operate the hotel for an initial period of 20 years. The extraordinary fee will be paid over the same period. For the years ended 31 December 2021 and 2020, the amount of this fee carried to the statement of comprehensive income was $600 and $500, respectively.

(3) On March 13th, 2017, Hotelera SF, S. de R.L. de C.V. entered into a hotel operation and management agreement with Servicios Integrales PIN, S.A.P.I. de C.V., to operate a 140-room hotel in the City of Irapuato, Guanajuato. The hotel operates as a franchise of an international brand. The agreement establishes the payment of a hotel fee to operate the hotel for a period of 15 years. The extraordinary fee is paid on a monthly basis over the same period in the amount of $7,000 as consideration for having been chosen by the owner to operate the hotel. For the years ended December 31st, 2021 and 2020, the amount of this fee carried to the statement of comprehensive income was $467.

(4) On March 17th, 2016, Hotelera SF, S. de R.L. de C.V. entered into a hotel management and operation agreement with Inca Inmobiliaria Monterrey, S.A. de C.V., which is the owner of the "Krystal Monterrey" hotel. The agreement establishes the payment of an extraordinary fee of $6,000, as consideration for having been chosen by the owner to operate the hotel for an initial period of 10 years. The extraordinary fee will be paid over the same period. For the years ended December 31st, 2021 and 2020, the amount of this fee carried to the statement of comprehensive income was $600.

(5) On December 22nd, 2015, Hotelera SF, S. de R.L. de C.V. entered into a hotel management and operation agreement with Servicios Hoteleros Metropolitanos S.A. de C.V., which is the owner of the "Krystal Urban Aeropuerto Ciudad de México" hotel. The agreement establishes the payment of an extraordinary fee of $3,600 as consideration for having been chosen by the owner to operate the hotel for an initial period of 10 years. The extraordinary fee will be paid on a monthly basis over the same period. For the years ended December 31st, 2021 and 2020, the amount of this fee carried to the statement of comprehensive income was $360.

(6) As of March 2021, the Group sells Vacation Club memberships for the Krystal Grand Cancun, Krystal Grand Los Cabos and Krystal Grand Nuevo Vallarta hotels. This loyalty program offers customers an exclusive club membership, as well as discounts and benefits on booking and food and beverage rates during periods of between five and 20 years, depending on the duration and type of membership purchased.

(7) On September 1st, 2021, the Group entered into a stock purchase and sale agreement subject to conditions precedent with Inmobiliaria Remirez de Ganuza, S. de R.L. de C.V., whereby the Group agrees to acquire a 25% equity interest in the share capital of Sunset Tulum, S.A. de C.V. Under the agreement, the Group agreed to deliver a security deposit of $50,000,000 for the acquisition of these shares, which was delivered on September 13th, 2021.

15. SHORT- AND LONG-TERM DEBT

An analysis of the Group's long-term bank loans as at December 31st, 2021 and 2020 is as follows:

	2021	2020
Term loan extended by BBVA Bancomer, S.A. to Inmobiliaria en Hotelería Guadalajara Santa Fe, S. de R.L. de C.V., and Inmobiliaria en Hotelería Monterrey Santa Fe, S. de R.L. for financing of up to USD 29,000,000.		

	2021	2020
The loan bears interest at the 90-day LIBOR rate, plus 3.10 percentage points, payable in 40 quarterly installments commencing as of June 29th, 2011 and due in 10 years. The last payment of USD 8,700,000 corresponds to 30% of the total debt. This loan was restructured in 2019.		
On July 16th, 2019, the Group entered into an amending agreement to the original term loan agreement entered into by and between BBVA and Inmobiliaria en Hotelería Guadalajara Santa Fe, S. de R.L. de C.V., and Inmobiliaria en Hotelería Monterrey Santa Fe, S. de R.L. de C.V., which established that the loan will now bear interest at the 90-day LIBOR rate, plus 3.10 percentage points payable in 40 quarterly installments, and maturing on July 2nd, 2029.		
On June 5th and December 16th, 2020, the Group entered into two amending agreements to the original loan agreement to change the payment schedule, allowing the Group to defer payment of four quarterly installments corresponding to the period from June 30th, 2020 to March 31st,2021 by adding them to the last payment of the loan, which amounts to USD 4,987,284 and is payable on July 2nd,2029.	$ 236,320	$ 243,103
Term loan extended by BBVA Bancomer, S.A. to Inmobiliaria en Hotelería Vallarta Santa Fe, S. de R.L. de C.V. for financing of up to USD 22,000,000. The loan bears interest at the 90-day LIBOR rate, plus 3.10 percentage points, payable in 40 quarterly installments commencing as of October 31st, 2014 and due in 10 years. The last payment of USD 6,600,000 corresponds to 30% of the total debt.		
On April 30th and October 30th, 2020, the Group entered into two amending agreements to the original loan agreement to change the payment schedule, allowing the Group to defer payment of four quarterly installments corresponding to the period from April 30th, 2020 to 2 February by adding them to the last payment of the loan, which amounts to USD 8,007,375 and is payable on July 14th, 2023.	$ 241,342	$ 268,029

	2021	2020
Term loan extended by BBVA Bancomer, S.A. to Grupo Hotelero SF de México, S. de R.L. de C.V. for financing of $120,000. The loan bears annual interest at the TIIE rate, plus 2.95% (two point ninety-five percentage points). If no rate is established in the agreement, the loan shall bear annual interest at the CETES rate, plus 2.95% (two point ninety-five percentage points), payable in 40 quarterly installments commencing as of February 29th, 2016 and due in 10 years. The last payment of $36,000 corresponds to 30% of the total debt. This loan was restructured in 2019 to change its denomination from Mexican pesos to U.S. dollars.		-
Mortgage-backed term loan extended by BBVA Bancomer, S.A. to Grupo Hotelero SF de México, S. de R.L. de C.V. for financing of USD 4,736,223. This loan bears interest at the 90-day LIBOR rate, plus 3.10 percentage points payable in 25 quarterly installments commencing as of August 31st, 2019 and due on November 21st,2025.		
On May 20th and November 26th, 2020, the Group entered into an amending agreement to the original loan agreement to change the payment schedule, allowing the Group to defer payment of four quarterly installments corresponding to the period from May 31st, 2020 to February 28th,2021 by adding them to the last payment of the loan, which amounts to USD 2,351,892 and is payable on November 12th, 2025.	$ 83,191	$ 87,627
Term loan extended by BBVA Bancomer, S.A. to Inmobiliaria en Hotelería Cancún Santa Fe, S. de R.L. de C.V. for financing up to USD 18,300,000. The loan bears interest at the 90-day LIBOR rate, plus 3.10 percentage points, payable in 39 quarterly installments commencing as June 28th, 2014 and due in 10 years. The last payment of USD 5,490,000 corresponds to 30% of the total debt.		
On June 5th and December 16th, 2020, the Group entered into two amending agreements to the original loan agreement to change the payment schedule that allows the Group to defer payment of four quarterly installments corresponding to the period from 30 June 2020 to 31 March by adding them to the last payment of the loan, which amounts to USD 6,830,830 and is payable on March 27th, 2024.	$ 193,494	$ 207,663

	2021	2020
Term loan extended by Banco Ve por Más, S.A. to Inmobiliaria Hotelera Cancún Urban, S. de R.L. de C.V. for financing of up to USD 3,852,101. The loan bears interest at the 90-day LIBOR rate, plus 3.10 percentage points, payable in 15 quarterly installments commencing as of August 19th, 2019 and due in 4 years.		
On April 22nd, 2020, the Group entered into an amending agreement to the original loan agreement to change the payment schedule that allows the Group to defer payment of two quarterly installments corresponding to the period from May 19th, 2020 to August 19th, 2021 by adding them to the last payment of the loan, which amounts to USD 1,871,642 and is payable on April 19th, 2023.	$ 63,401	$ 64,644
Term loan extended by Banco Santander Mexico to SF Partners II, S. de R.L. de C.V. for financing of $85,000. The loan bears interest at the TIIE rate, plus 2.95 percentage points, payable in 79 monthly installments commencing as of December 16th, 2016 and due in 7 years. The last payment of $25,500 corresponds to 30% of the total debt.		
On April 22nd, 2020, the Group entered into an amending agreement to the original loan agreement to change the payment schedule that allows the Group to defer payment of six monthly installments corresponding to the period from May 16th, 2020 to October 16th, 2020 by adding them to the last payment of the loan, which amounts to $30,077 and is payable on May 19th, 2023.	$ 43,045	$ 52,199
Mortgage-backed term loan extended by Banco Mercantil del Norte, S.A. to Moteles y Restoranes María Bárbara, S.A. de C.V. for financing of $110,000. The loan bears interest at the 28-day TIIE rate, plus 3.0 percentage points, payable in 15 annual installments due on May 30th, 2031.	$ 87,590	$ 93,717
On April 29th, 2020, the Group entered into a current account term loan agreement with Grupo Financiero Banorte, S.A.B. de C.V. for financing of up to $25,000 to Moteles y Restoranes Maria Bárbara, S.A. de C.V. The funds were distributed in parts by means of promissory notes payable at maturity on April 27th, 2022, with an option to pay the outstanding amount using the available line of credit.	$ 19,781	$ 11,919

	2021	2020
Mortgage-backed and collateralized term loan extended by SABCAPITAL, S.A. de C.V., SOFOM, E.R. to ICD Sitra, S.A. de C.V. for financing of USD 31,500,000, granting a 12-month grace period for the payment of principal. The loan bears interest at the 90-day LIBOR rate, plus 2.95 percentage points, payable in 45 quarterly installments due on November 15th, 2029.		
On June 5th,2020, the Group entered into an amending agreement to the original loan agreement to change the payment schedule, allowing the Group to defer payment of four quarterly installments corresponding to the period from June 5th, 2020 to March 5th, 2021 by adding them to the last payment of the loan, which amounts to USD 8,590,909 and is payable on November 15th,2029.	$ 570,458	$ 559,454
Mortgage-backed and collateralized term loan extended by SABCAPITAL, S.A. de C.V., SOFOM, E.R. to Sibra Vallarta, S.A. de C.V. for financing of USD 28,800,000. The loan bears interest at the 90-day LIBOR rate, plus 2.95 percentage points, payable in 46 quarterly installments due on December 5th, 2029.		
On June 5th,2020, the Group entered into an amending agreement to the original loan agreement to change the payment schedule, allowing the Group to defer payment of four quarterly installments corresponding to the period from June 5th, 2020 to March 5th, 2021 by adding them to the last payment of the loan, which amounts to USD 7,808,000 and is payable on December 5th, 2029.	$ 523,101	$ 512,893
Term loan extended by BBVA Bancomer, S.A. to Inmobiliaria en Hotelería Cancún Santa Fe, S. de R.L. de C.V. for financing of USD 8,000,000. The loan bears interest at the 90-day LIBOR rate, plus 3.10 percentage points, payable in 40 quarterly installments commencing as of October 30th, 2018 and due in 10 years. The last payment of USD 2,540,000 corresponds to 30% of the total debt.		

	2021	2020
On April 30th and October 30th, 2020, the Group entered into an amending agreement to the original loan agreement to change the payment schedule, allowing the Group to defer payment of four quarterly installments corresponding to the period from April 30th, 2020 to February 2nd, 2021 by adding them to the last payment of the loan, which amounts to USD 3,100,000 and is payable on July 6th, 2028.	$ 138,276	$ 142,736
Mortgage-backed and collateralized term loan extended by SABCAPITAL, S.A. de C.V. to Grupo Inmobiliario 1991, S.A. de C.V. for financing of USD 13,000,000. This loan bears interest at the LIBOR rate, plus 2.95 percentage points, payable in 40 quarterly installments due on November 30th, 2028. The last payment of USD 2,600,000 corresponds to 20% of the total debt.		
On June 8th, 2021, the Group entered into an amending agreement to the original loan agreement to change the payment schedule, allowing the Group to defer payment of four quarterly installments corresponding to the period from June 6th, 2020 to March 6th, 2021 by adding them to the last payment of the loan, which amounts to USD 3,324,916 and is payable on November 30th,2028.	$ 248,241	$ 242,989
Term loan extended by BBVA Bancomer, S.A. to Inmobiliaria en Hotelería Vallarta Santa Fe, S. de R.L. de C.V. for financing of up to USD 14,000,000. The loan bears interest at the 90-day LIBOR rate, plus 3.10 percentage points, payable in 40 quarterly installments commencing as of November 9th, 2018 and due in 10 years. The last payment of USD 5,134,920 corresponds to 36% of the total debt.		
On April 30th and October 30th, 2020, the Group entered into an amending agreement to the original loan agreement to change the payment schedule, allowing the Group to defer payment of four quarterly installments corresponding to the period from April 30th, 2020 to February 2nd, 2021 by adding them to the last payment of the loan, which amounts to USD 5,134,920 and is payable on October 31st, 2028.	$ 271,980	$ 276,240

	2021	2020
Term loan extended by BBVA Bancomer, S.A. to Hotelera del Bajío S.F., S.A. de C.V. for financing of up to USD 6,512,649. The loan bears interest at the LIBOR rate, plus 3.10 percentage points, payable in 40 quarterly installments commencing as of September 3rd, 2019 and maturing on May 29th, 2029.		
On May 27th and November 26th, 2020, the Group entered into an amending agreement to the original loan agreement to change the payment schedule, allowing the Group to defer payment of four quarterly installments corresponding to the period from June 1st, 2020 to March 1st, 2021 by adding them to the last payment of the loan, which amounts to USD 2,379,071 and is payable on May 31st, 2029.	$ 125,100	$ 127,014
On May 7th, 2021, Inmobiliaria Hotelera Insurgentes 724, S.A.P.I. de C.V. entered into a term loan agreement with Banco Mercantil del Norte, Institución de Banca Múltiple, Grupo Banorte S.A. and Banco Sabadell, Institución de Banca Múltiple, for financing of $255,558,036. The loan bears annual interest at the TIIE rate, plus 3 percentage points, payable in 28 quarterly installments due on May 7th, 2028.	$ 255,558	
On October 26th, 2021, the Group signed a "drawdown request" for a term loan in the amount of $127,910,400 that was extended by Banco Mercantil del Norte, Institución de Banca Múltiple, Grupo Banorte, S.A. and Banco Sabadell, Institución de Banca Múltiple on May 7th, 2021 to Inmobiliaria Hotelera Insurgentes 724, S.A.P.I. de C.V. This request is for a drawdown against the loan referred to in the preceding paragraph.	$ 127,910	-
Accrued interest payable	12,971	23,164
Less debt issuance costs	(20,436)	(24,235)
	3,221,323	2,889,156
Less current portion	245,110	227,467
Long-term debt, excluding current portion	**$ 2,976,213**	**$ 2,661,689**

A reconciliation of changes in the Company's bank loans to its cash flows from financing activities is as follows:

2021	Beginning balance	Bank loans received in 2021	Payments of principal	Interest paid	Total cash-settled transactions	Other finance expenses	Unrealized foreign exchange loss	Accrued interest	Ending balance
Long-term debt	**$ 2,889,156**	**$ 391,332**	**$ (131,005)**	**$ (126,705)**	**$ 3,022,778**	**$ 6,551**	**$ 75,191**	**$ 116,801**	**$ 3,221,323**

2020	Beginning balance	Bank loans received in 2020	Payments of principal	Interest paid	Total cash-settled transactions	Other finance expenses	Unrealized foreign exchange loss	Accrued interest	Ending balance
Long-term debt	$ 2,781,901	$ 11,919	$ (72,998)	$ (121,839)	$ 2,598,983	$ 5,360	$ 151,125	$ 133,688	$ 2,889,156

Interest expense on bank loans for the years ended December 31st, 2021 and 2020 is $102,488 and $133,688, respectively.

As at December 31st, 2021 and 2020, the distribution between the issuing entities of the term loan of up to USD 29,000,000 granted by BBVA Bancomer, S.A. (co-signed by Servicios e Inmuebles Turisticos, S. de R.L. de C.V. and Chartwell Inmobiliaria de Monterrey, S. de R.L. de C.V.), is as follows:

	2021 balance in U.S. dollars	2020 balance in U.S. dollars
Inmobiliaria en Hotelería Guadalajara Santa Fe, S. de R.L. de C.V.	USD 10,441,095	USD 11,053,560
Inmobiliaria en Hotelería Monterrey Santa Fe, S. de R.L. de C.V.	1,077,888	1,141,116
	USD 11,518,983	**USD 12,194,676**

The above bank loans establish affirmative and negative covenants, which include the following relevant matters:

- Submit audited annual financial statements within 210 days after the end of fiscal year.
- Submit internal financial statements within 60 calendar days after the end of each semester.
- Report within ten business days any event that could affect the Group's current financial situation or cause the Group to incur in any of the causes for early termination set forth in the agreement, as well as communicate the corrective actions and measures that will be taken.
- Comply with certain financial ratios.
- Refrain from transferring equity interests (whether by merger, acquisition, spin-off, assignment) or properties, with certain exceptions.
- Refrain from acquiring interest-bearing liabilities, whose amounts could affect the Group's established payment obligations.
- Refrain from granting loans or guarantees to third parties that could affect the Group's established payment obligations.

As at December 31st, 2021, the Group failed to meet some of its affirmative and negative financial covenants. However, in December 2021, Group management obtained a waiver from the related banks. Accordingly, the loan was not payable on demand as at December 31st, 2021.

Note 20 discloses the Group's exposure to liquidity and currency risks related to short- and long-term debt.

16. ACCRUED LIABILITIES

An analysis of the Company's accrued liabilities is as follows:

	2021	2020
Rent paid in advance	$ 1,103	$ 11,154
Social security dues	650	9,835
Unidentified deposits	3,093	3,293
Amounts owed to shareholders from capital redemptions	29,647	29,647
Other	3,570	10,948
	$ 38,063	**$ 64,877**

17. EMPLOYEE BENEFITS

The cost of defined benefit plans and other amounts related to seniority premiums were determined based on independent actuarial calculations performed as at December 31st, 2021 and 2020.

An analysis of the present value of the defined benefit obligation as at December 31st, 2021 and 2020 is as follows:

	2021	2020
Seniority premiums	$ 18,601	$ 10,330

a) Changes in present value of defined benefit obligation

	Seniority premiums	
	2021	2020
Defined benefit obligation as at 1 January	$ 10,330	$ 7,625
Benefits paid	-	(843)
Current-year service cost	34	1,436
Past service cost	8,219	(57)
Interest cost	18	512
Actuarial losses	-	1,657
Defined benefit obligation as at 31 December	**$ 18,601**	**$ 10,330**

b) Amounts recognized in profit or loss

	Seniority premiums	
	2021	2020
Current-year service cost	$ 34	$ 1,436
Past service cost	8,219	(57)
Interest cost	18	512
Actuarial losses	-	1,657
	$ 8,271	**$ 3,548**

The Group's net periodic benefit expense for the years ended December 31st, 2021 and 2020 was recognized as part of indirect administrative costs in the statement of comprehensive income.

c) Actuarial assumptions

The main actuarial assumptions used at the reporting date (expressed as weighted average) were as follows:

	2021	2020
Discount rate	7.50%	6.80%
Future salary increase rate	5.13%	5.20%

18. INCOME TAX

a) Income tax

The Mexican Income Tax Law (MITL) establishes a corporate income tax rate of 30% for fiscal years 2021 and 2020.

Income tax for the year is calculated by applying the statutory income tax rate to the Group's taxable profit for the year.

The MITL establishes requirements and limits regarding certain deductions, including restrictions on the deductibility of payroll-related expenses that are considered tax-exempt for employees, contributions to create or increase pension fund reserves, and Mexican Social Security Institute dues that are paid by the Group but that should be paid by the employees. The MITL also establishes that certain payments made to related parties shall not be deductible if they do not meet certain requirements.

b) Labor outsourcing reform in Mexico

In April 2021, the Mexican government amended the Federal Labor Law, the Federal Tax Code and other laws that regulate employment in order to prohibit the outsourcing of employees, except under specific circumstances. Derived from this tax reform, entities are not allowed to deduct outsourcing expenses or credit their input value added tax on outsourcing expenses. In a worst-case scenario, labor outsourcing may be considered as tax fraud. This reform became effective on September 1st, 2021.

An analysis of income tax recognized in profit or loss for the years ended December 31st, 2021 and 2020 is as follows:

	2021	2020
Current income tax	$ 31,033	$ 19,796
Deferred income tax	(106,638)	(29,067)
Total income tax	**$ (75,605)**	**$ (9,271)**

c) Reconciliation of the effective income tax rate

The tax (benefit)/expense attributable to the profit before income tax was different from the taxable profit determined by applying the 30% income tax rate to the profit before income tax, as a result of the following items:

	Income tax			
	2021		2020	
Expected (benefit)/expense	$ 32,705	30%	$ (159,136)	30%
Plus/(less):				
Taxable effects of inflation, net	(9,530)	(9%)	25,480	(4%)
Non-deductible expenses	(16,408)	(14%)	4,743	(1%)
Allowance for impairment of goodwill	-		2,759	(1%)
Unrecognized deferred tax assets from tax losses	(82,373)	(76%)	116,883	(22%)
Income tax expense/(benefit)	**$ 75,506**	**(69%)**	**$ (9,271)**	**2%**

d) Deferred income tax assets and liabilities

An analysis of deferred income tax assets and liabilities is as follows:

	Income tax	
	2021	2020
Deferred tax assets:		
Available tax loss carryforwards	$ 109,822	$ 80,767
Provisions	35,339	17,788
Trade advances	3,412	11,487
Allowance for doubtful accounts	1,009	914
Allowance for impairment of long-lived assets	-	26,041
Deductible employee profit sharing	2,474	1,132
Employee benefits	-	678
Total deferred tax assets	**152,056**	**138,807**

	Income tax 2021	Income tax 2020
Deferred tax liabilities:		
Property, furniture and equipment	711,607	826,388
Prepaid expenses	11,781	14,604
Employee benefits	274	-
Other assets	33,038	9,097
Total deferred tax liabilities	756,700	850,089
Deferred tax liability, net	604,644	711,282
Deferred tax assets recognized in the statement of financial position	278,108	150,974
Deferred tax liabilities recognized in the statement of financial position	882,752	862,256
	$ (604,644)	**$ (711,282)**

Deferred income tax assets and liabilities are presented in the consolidated statement of financial position based on the grouping of each consolidated legal entity given that the tax effects cannot be netted or offset between the different entities, since there is no legal mechanism that allows it.

e) Changes in temporary differences

	1 January 2021	Recognized in profit or loss	December 31st, 2021
Property, furniture and equipment	$ (826,388)	$ 114,781	$ (711,607)
Available tax loss carryforwards	80,767	29,055	109,822
Liability provisions	17,788	17,551	35,339
Trade advances	11,487	(8,075)	3,412
Allowance for doubtful accounts	914	95	1,009
Allowance for impairment of long-lived assets	26,041	(26,041)	-
Employee benefits	678	(952)	(274)
Deductible employee profit sharing	1,132	1,342	2,474
Prepaid expenses	(14,604)	2,823	(11,781)
Other assets	(9,097)	(23,941)	(33,038)
	$ (711,282)	**$ 106,638**	**$ (604,644)**

	1 January 2020	Recognized in profit or loss	December 31st 2020
Property, furniture and equipment	$ (861,433)	$ 35,045	$ (826,388)
Available tax loss carryforwards	94,962	(14,195)	80,767
Liability provisions	12,357	5,431	17,788
Trade advances	17,054	(5,567)	11,487
Allowance for doubtful accounts	1,057	(143)	914
Allowance for impairment of long-lived assets	10,452	15,589	26,041
Employee benefits	1,239	(561)	678
Deductible employee profit sharing	667	465	1,132
Prepaid expenses	(9,608)	(4,996)	(14,604)
Other assets	(7,096)	(2,001)	(9,097)
	$ (740,349)	**$ 29,067**	**$ (711,282)**

To assess the future recovery of deferred tax assets, Group management considers the probability of either a portion or the entire deferred tax asset not being realized in future years. The eventual realization of the Group's deferred tax assets will depend on whether the Group has taxable profit in the periods in which the temporary differences become deductible. Management's evaluation is based on the expected turnaround time of the Group's deferred liabilities, its projected future taxable profit, and its general tax planning strategies.

An analysis of deferred tax assets not recognized in the Group's consolidated financial statements is as follows:

	2021	2020
Available tax loss carryforwards	$ 1,216,675	$ 819,047

An analysis of the Group's available tax loss carryforwards as at December 31st, 2021 is as follows:

Year	Restated tax loss carryforwards
2022	$ 106
2023	121
2024	97,412
2025	176,155
2026	148,662
2027	59,708
2028	36,850
2029	106,496
2030	338,997
2031	252,168
	$ 1,216,675

19. EQUITY AND RESERVES

An analysis of the Group's equity as at December 31st, 2021 and 2020 is as follows:

a) Initial public offering

At an Ordinary and Extraordinary Shareholders' Meeting held on September 3rd, 2014, the shareholders agreed to change the type of entity of the Group to a publicly traded variable capital corporation (Sociedad Anónima Bursátil de Capital Variable), as well as to make a mixed public offering of shares in Mexico of up to 75,000,000 shares of $750,000 ($681,809, net of placement expenses and taxes), which took place on September 11th, 2014.

After the initial public offering, the share capital consisted of 275,500,000 common, registered Series "II" shares with no par value, 207,500,000 of which correspond to the Group's founders and 68,000,000 to the investing public.

b) Subsequent public offering

At an Extraordinary Shareholders' Meeting held on June 15th, 2016, the shareholders agreed to make a public offering of shares in Mexico and Chile of up to 215,625,000 shares, 215,584,530 of which were offered for $1,832,469 ($1,787,961, net of placement expenses and taxes), which was held on June 17th, 2016.

After the subsequent public offering, the share capital consisted of 491,084,530 common, registered shares with no par value, 264,612,635 of which correspond to the Group's founders and 226,471,895 to the investing public.

c) Share capital increase

At an Ordinary Shareholders' Meeting held on October 1st, 2020, the shareholders agreed to increase the Group's share capital by 125,000,000 common, registered Class II shares with no par value, issued at a subscription price of $4.00 per share, for a total amount of $500,000.

After this capital increase, share capital is comprised of 616,084,530 common registered shares with no par value. Fixed share capital is 0.0040% and variable share capital is 99.9960%, of which 103,498,713 shares correspond to the Group's founders and 512,585,817 shares to the investing public.

d) Repurchase of shares

At Ordinary and Extraordinary Shareholders' Meetings held on September 3rd, 2014, the shareholders agreed to repurchase the Group's own shares up to an amount equal to the total balance of the Group's net profit, including retained earnings. The National Banking and Securities Commission allows Companies to acquire their own shares on the market provided that they are paid from their own retained earnings account.

The total net repurchased shares as at December 31st, 2021 were 8,040,816 shares, equal to 1.3% of the Group's total share capital.

Of the repurchased shares, 8,040,816 correspond to the fund for the share-based payment plan for the Group's executives implemented in 2016. As at December 31st, 2021, there are no shares for the repurchase fund. The market value of the shares as at December 31st, 2021 and 2020 is $ 4.80 pesos and $ 4.04 pesos, respectively, per share. The repurchased shares available for sale have been recognized as a decrease in share capital.

e) Share-based payments

The Group has a trust for the purpose of purchasing its own shares for share-based payments offered to certain Group executives. The plan is for a three-year period and became effective on April 1st, 2016, and 20%, 30% and 50% of the shares will vest on the first, second and third anniversary, respectively. To participate in the share-based payment plan, the executive must have at least one year of seniority within the Group, be recommended by the executive committee and be working for the Group on the date of each anniversary. The plan allows for additions within its effective term, provided that such additions are subject to the same conditions. The Group's Board of Directors authorizes and grants the shares in the plan at least once a year to certain executives who are eligible under Group policies. The fair value for each share allocated in the plan is equal to the average market price of the share at the grant date.

The trust shares for the share-based payment plan as at December 31st, 2021 total 8,040,816 shares, with a market value of $ 4.80 pesos each as at December 31st, 2021.

f) Share premium

Representa la diferencia en exceso entre el pago de las acciones suscritas y el valor nominal de las mismas derivada del aumento de capital social efectuado el 26 de febrero de 2010 de Grupo Hotelero Santa Fe, S.A.B. de C.V.

g) Legal reserve

In accordance with the Mexican Corporations Act, the Group is required to appropriate at least 5% of the net profit of each year to increase the legal reserve. This practice must be continued each year until the legal reserve reaches 20% of the value of the Group's share capital. As at December 31st, 2021 and 2020, the legal reserve is $190,493 and has not reached the required minimum.

Capital contributions (restated for inflation) may be returned to the Group's shareholders tax-free for up to the value of the Group's equity.

Dividends paid from earnings on which the Group has not yet paid income tax and other components of equity will be subject to income tax withholdings at the corporate income tax rate of 30%.

h) Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year. An analysis of the weighted average number of ordinary shares as at December 31st, 2021 and 2020 is as follows:

	Number of shares	
	2021	2020
1 January	$ 609,636,611	$ 485,319,948
Repurchase of shares	(1,592,897)	(683,337)
Issue of shares	-	125,000,000
Ending balance of shares	608,043,714	609,636,611
Weighted average	609,174,016	499,401,879
Loss per share	(0.05)	(1.04)

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Credit or counterparty risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's accounts receivable and investments in financial instruments. To mitigate this risk, the Group estimates its exposure to credit risk from its financial instruments.

b) Exposure to credit risk

The carrying amount of the associated financial assets represents the Group's maximum exposure. An analysis of the Group's maximum exposure to credit risk at the reporting date is as follows:

	Carrying amount	
	2021	2020
Accounts receivable	$ 118,334	$ 92,407
Related parties	11,927	13,115
Other accounts receivable	2,896	2,755
Recoverable taxes	422,428	391,852
	$ 555,585	**$ 500,129**

As at December 31st, 2021 and 2020, the exposure to credit risk for trade receivables by geographic region was as follows:

	Carrying amount	
	2021	2020
Domestic	$ 43,183	$ 64,104
Other regions	75,151	28,303
	$ 118,334	**$ 92,407**

As at December 31st, 2021 and 2020, the exposure to credit risk for trade receivables by type of counterparty was as follows:

	Carrying amount	
	2021	2020
End-user customers	$ 48,869	$ 73,580
Wholesale customers	69,465	18,827
	$ 118,334	**$ 92,407**

Impairment losses

An analysis of aging of trade receivables as at December 31st, 2021 and 2020 is as follows:

	Gross 2021	Impairment 2021	Gross 2020	Impairment 2020
Current (not past due)	**$ 98,153**	**$ -**	$ 26,662	$ -
1 to 30 days	**11,474**	**-**	8,651	-
31 to 120 days	**5,338**	**-**	11,500	-
More than 120 days	**8,668**	**(5,296)**	49,045	(3,451)
	$ 123,633	**$ (5,296)**	$ 95,858	$ (3,451)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows.

	2021	2020
Beginning balance	$ 3,451	$ 717
Increases during the year	1,845	2,734
Ending balance	**$ 5,296**	**$ 3,451**

Derivative financial instruments

The fair value of derivative financial instruments represents the maximum credit exposure. An analysis is as follows:

		Fair value		
		2021		2020
Amounts in thousands of Mexican pesos				
Interest rate options (3M LIBOR)	$	922	$	(1,431)
BBVA Bancomer	$	922	$	(1,431)

c) Liquidity risk

Liquidity risk is the risk that the Group will not have sufficient funds available to meet its obligations related to financial liabilities. The Group aims, to the extent possible, to monitor these obligations, both under normal and adverse conditions, in order to avoid incurring in unacceptable losses or jeopardize the Group's reputation.

The following are the remaining contractual maturities of financial liabilities at the reporting date, including short- and long-term debt, suppliers and related party payables. The cash flows shown below are not expected to occur significantly before or differ significantly. An analysis is as follows:

2021	Carrying amount	Contractual cash flows	1 year	2 years	3 years	More than 3 years
Non-derivative financial liabilities						
Short- and long-term debt	**$ 3,221,323**	**$ 3,720,397**	**$ 343,508**	**$ 525,854**	**$ 435,831**	**$ 2,415,205**
Suppliers	148,362	148,362	148,362	-	-	-
Related parties	15,687	15,687	15,687	-	-	-
	$ 3,385,372	**$3,884,446**	**$ 507,557**	**$ 525,854**	**$ 435,831**	**$ 2,415,205**

2020	Carrying amount	Contractual cash flows	1 year	2 years	3 years	More than 3 years
Non-derivative financial liabilities						
Short- and long-term debt	$ 2,889,156	$ 3,679,969	$ 381,455	$ 401,288	$ 591,060	$ 2,306,166
Suppliers	162,793	162,793	162,793	-	-	-
Related parties	18,319	18,319	18,319	-	-	-
	$ 3,070,268	$ 3,861,081	$ 562,567	$ 401,288	$ 591,060	$ 2,306,166

d) Market risk

Market risk is the risk that changes in market prices – e.g., foreign exchange rates, interest rates and equity prices – will affect the Group's income or the value of its holdings of financial instruments. To mitigate its market risks, the Group contracts derivative financial instruments. Since such derivatives do not qualify for hedge accounting, they are classified as held-for-trading.

e) Exposure to currency risk

An analysis of the Group's exposure to currency risk is as follows:

		Amounts in thousands of U.S. dollars		
		2021		2020
Trade receivables	$	1,520	$	2,122
Secured bank loans		(131,358)		(137,064)
Suppliers		(1,259)		(1,037)
Net exposure	**$**	**(131,097)**	**$**	**(135,979)**

The exchange rate used to translate the above amounts to Mexican pesos as at December 31st, 2021 and 2020 was $ 20.5157 pesos and $ 19.9352 pesos, respectively, per U.S. dollar. The exchange rate as at April 5th, 2022 was $ 19.7443 pesos per U.S. dollar.

Foreign currency risk in derivatives

The Group is exposed to foreign currency risk in its derivative financial instruments, which are denominated in U.S. dollars while the Group's functional currency is the Mexican peso.

The Group does not have financial instruments to hedge against exchange rate fluctuations.

Exposure to foreign currency risk

An analysis of the Group's exposure to foreign currency risk arising from its derivative financial instruments (primarily denominated in U.S. dollars) is as follows:

Amounts in thousands of U.S. dollars	2021	2020
Interest rate options (3M LIBOR):		
BBVA Bancomer	$ 45	$ (72)

Sensitivity analysis

A reasonably possible strengthening of the Mexican peso against the U.S. dollar as at December 31st, 2021 and 2020 would have affected net profit or loss by the amounts shown below. This analysis is based on variances in the U.S. dollar-Mexican peso exchange rate that the Group considers to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant. An analysis is as follows:

2021	Profit or loss
USD (0.02% strengthening)	**$ 236**
2020	Profit or loss
USD (1.6% strengthening)	$ 1,414

Assuming all other variables remain constant, the effect of a weakening of the Mexican peso against the U.S. dollar as at December 31st, 2021 and 2020 would have given rise to an increase in the above amounts.

As at December 31st, 2021 and 2020, the Group has no foreign currency hedging instruments.

f) Interest rate risk

Interest rate fluctuations affect the fair value (fixed-rate instruments) or future cash flows (variable-rate instruments) of debt instruments. Group management does not have a formal policy in place to determine how much of its exposure should be at fixed or variable rates. However, when obtaining new loans, Management applies judgment to determine whether a fixed or a variable rate would be more favorable for the Group over the loan term.

Profile

An analysis of the interest rate profile of the Group's financial instruments at the date of authorization of these consolidated financial statements is as follows:

	Carrying amount	
	2021	2020
Variable-rate instruments		
Financial liabilities in U.S. dollars	$ 2,694,904	$ 2,708,444
Financial liabilities in Mexican pesos	533,885	155,99
	$ 3,228,789	**$ 2,864,435**

Interest rate risk of derivative financial instruments

The Group is exposed to interest rate risk in derivative financial instruments due to potential interest rate fluctuations in the short and long term.

Exposure to interest rate risk

An analysis of the Group's exposure to interest rate risk arising from its derivative financial instruments is as follows:

		Carrying amount 2021	Carrying amount 2020
Interest rate options (3M LIBOR)	$	922	(1,431)
BBVA Bancomer	**$**	**922**	**(1,431)**

Fair value sensitivity analysis for fixed-rate instruments

A change of 100 basis points in interest rates would have increased or decreased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Profit or loss:	100 bp increase	100 bp decrease
2021		
Variable-rate debt	**$ 7,009**	**$ 7,009**

g) Book classification and fair value of derivative financial instruments

Fair value and amortized cost

An analysis of the fair value of financial assets and financial liabilities and amortized cost is as follows:

	Carrying amount	Fair value
Balance as at December 31st, 2021		
Interest rate options (3M LIBOR)		
BBVA Bancomer	$ 922	$ 922
Total derivative financial instruments	**$ 922**	**$ 922**
Balance as at December 31st, 2020		
Interest rate options (3M LIBOR)		
BBVA Bancomer	$ (1,431)	$ (1,431)
Total derivative financial instruments	**$ (1,431)**	**$ (1,431)**

Fair value hierarchy

The Group determines fair value using the following fair value hierarchy, which reflects the importance of the variables used when making the respective measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes financial instruments measured using quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and other valuation techniques where all significant inputs for the asset or liability are observable, either directly or indirectly, based on market data.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all instruments for which the valuation technique considers factors that are not based on observable data and non-observable factors can have a significant effect on the measurement of the instrument. This category includes financial instruments that are measured based on quoted prices for similar financial instruments with significant unobservable adjustments or that require inputs to reflect the differences between the instruments.

An analysis of the fair values of financial instruments as at December 31st, 2021 and 2020 based on the fair value hierarchy is as follows:

December 31st, 2021	Level 1	Level 2	Level 3
Interest rate options (3M LIBOR)	$ -	$ 922	$ -
Total derivative financial instruments	**$ -**	**$ 922**	**$ -**

	Level 1	Level 2	Level 3
Bank loans in U.S. dollars	$ -	$ 3,050,990	$ -
Bank loans in Mexican pesos	-	438,426	-
Total bank loans	**$ -**	**$ 3,489,416**	**$ -**

December 31st, 2020	Level 1	Level 2	Level 3
Interest rate options (3M LIBOR)	$ -	$ (1,431)	$ -
Total derivative financial instruments	**$ -**	**$ (1,431)**	**$ -**

	Level 1	Level 2	Level 3
Bank loans in U.S. dollars	$ -	$ 2,777,348	$ -
Bank loans in Mexican pesos	-	160,218	-
Total bank loans	**$ -**	**$ 2,937,566**	**$ -**

21. PERSONNEL EXPENSES

An analysis of personnel expenses for the years ended December 31st, 2021 and 2020 is as follows:

	2021	2020
Wages and salaries	$ 403,452	$ 344,259
Year-end bonus	17,245	19,009
Bonuses	2,333	3,470
Compensations	9,687	7,863
	$ 432,717	**$ 374,601**

22. OPERATING LEASES

a) Leases as lessee

The Group leases the property where its offices are located under an operating lease agreement. These leases are generally for an initial period of five years, with an option to renew the lease for additional three-year periods. The lease agreement expires in November 2022. Rent payable under these leases usually increases annually to reflect market prices.

An analysis of future rental payments under lease agreements is as follows:

	2021	2020
Less than one year	$ 6,658	$ 6,688
One to three years	-	-
	$ 6,658	**$ 6,688**

For the years ended December 31st, 2021 and 2020, the Group recognized expenses of $7,854 and $7,888, respectively, relating to lease agreements in profit or loss.

b) Leases as lessor

The Group leases out a portion of its property under operating lease agreements. An analysis of minimum future lease payments under non-cancellable operating leases is as follows:

		2021		2020
Less than one year	$	10,849	$	9,804
One to five years		21,700		18,900
	$	**32,549**	**$**	**28,704**

For the years ended December 31st, 2021 and 2020, the Group recognized rental income from operating leases of $10,849 and $9,804, respectively, in profit or loss.

23. CONTINGENCIES

a) Litigations

Some of the Group's subsidiaries are party to various labor lawsuits and claims arising in the normal course of operations. Group management does not believe that the outcome of these lawsuits will have a material effect on its financial position or future operating results.

b) Tax contingencies

In accordance with the current Mexican tax laws, the Group's income tax returns are open to review by the tax authorities for a period of five years from the date they are filed.

In accordance with the MITL, companies that carry out transactions with related parties are subject to tax restrictions and obligations with respect to the determination of the prices charged, since such prices should be similar to the prices that would have been used with or between independent parties in comparable transactions.

Should the tax authorities review and reject the Group's intercompany pricing, they may demand payment of the omitted taxes, plus restatements and surcharges, as well as fines for amounts of up to 100% of the restated omitted taxes.

24. COMMITMENTS

a) On October 12th, 2020, Hotelera SF, S. de R.L. de C.V. entered into a hotel management and operation agreement with SBE Hotel Management LLC, for the operation of a hotel with 45 rooms, which will be sold under the brand "SLS Hotel and Residences". The hotel started operations on February 9th, 2021.

b) On February 23rd, 2020, Hotelera SF, S. de R.L. de C.V. Operator) entered into hotel management and operation agreements with Hotelera Chicome, S.A. de C.V., Hotelera Caracol, S.A. de C.V. and Promotora Turística Mexicana, S.A. de C.V. (the Owners), whereby the Owners entrust the Operator, who agrees to carry out the administrative and operating activities of the hotels, which will be marketed under the "Krystal" brand name. These agreements are for a ten-year term beginning on February 23rd, 2020.

c) As indicated in Note 13, as at December 31st, 2021 the Group has certain commitments related to construction and improvements in some of its hotels.

d) On March 13th, 2017, Hotelera SF, S. de R.L. de C.V. entered into a hotel operation and management agreement with Servicios Integrales PIN, S.A.P.I. de C.V., to operate a 140-room hotel in the city of Irapuato, Guanajuato under the brand name "Ibis".

e) On January 18th, 2017, Hotelera SF, S. de R.L. de C.V. entered into a hotel management and operation agreement with Desarrollos Urbanisticos IVC, S.A. de C.V. to operate a hotel under the "AC By Marriot" brand starting in 2020.

f) On March 17th, 2016, Hotelera SF, S. de R.L. de C.V. entered into a hotel operation and management agreement with Operadora Inca, S.A. de C.V., to operate a hotel in the city of Monterrey, Nuevo Leon under the "Krystal" brand name.

g) On December 22nd, 2015, Hotelera SF, S. de R.L. de C.V. entered into a hotel management and operation agreement with Servicios Hoteleros Metropolitanos, S.A. de C.V., for the management and operation of the hotel, which will be marketed under the "Krystal Urban Aeropuerto Ciudad de México" brand.

h) On January 15th, 2014, Hotelera SF, S. de R.L. de C.V. entered into a hotel management and operation agreement with Consorcio Hotelero Aeropuerto Monterrey, S.A.P.I de C.V. to operate a hotel in the city of Monterrey, Nuevo Leon, under the "Hilton Garden" brand.

i) On June 17th, 2013, Hotelera SF, S. de R.L. de C.V. entered into a hotel management and operation agreement with the owner of a property in the state of Tabasco, for the management and operation of the hotel, which will be marketed under the "Hampton Inn & Suites" brand.

25. RELEVANT FINANCIAL INFORMATION (UNAUDITED) – CALCULATION OF ADJUSTED EBITDA*

Adjusted EBITDA represents the result of recurring transactions before taxes, net financing cost, depreciation, amortization and non-recurring items in order to present the Group's consolidated net profit or loss.

	2021	2020
Operating profit/(loss)	$ 69,680	$ (288,132)
Depreciation and amortization	265,058	236,451
Hotel acquisition and opening expenses	25,619	11,088
Other non-recurring indirect costs	40,298	26,420
Allowance for impairment losses	–	61,159
Adjusted EBITDA	**$ 400,655**	**$ 46,986**

This information is presented for further analysis purposes only and is not a required disclosure under IFRS for the appropriate presentation of the Group's financial position, operating results or cash flows.

*EBITDA: Earnings before interest, taxes, depreciation and amortization.

26. SUBSEQUENT EVENTS

On March 3rd, 2022, a "drawdown request" was signed and executed in relation to the term loan of $98,544 granted by Banco Mercantil del Norte, Institución de Banca Múltiple, Grupo Banorte, S.A. and Banco Sabadell, Institución de Banca Múltiple on May 7th, 2021 to Inmobiliaria Hotelera Insurgentes 724, S.A.P.I. de C.V.

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