LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Consolidated Financial Statements for the period of eleven months and fourteen days ended 31 December 2014, prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and Directors' Report, together with Independent Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 32). In the event of a discrepancy, the Spanish-language version prevails.

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 32). In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of LAR ESPAÑA REAL ESTATE SOCIMI, S.A.:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of LAR ESPAÑA REAL ESTATE SOCIMI, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of total changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the period of eleven months and fourteen days then ended.

Directors' Responsibility for the Consolidated Financial Statements

The Parent's Directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the consolidated equity, consolidated financial position and consolidated results of LAR ESPAÑA REAL ESTATE SOCIMI, S.A. and Subsidiaries in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain (identified in Note 2-a to the accompanying consolidated financial statements) and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation by the Parent's Directors of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of LAR ESPAÑA REAL ESTATE SOCIMI, S.A. and Subsidiaries as at 31 December 2014, and their consolidated results and their consolidated cash flows for the period of eleven months and fourteen days then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated Directors' report for the period of eleven months and fourteen days ended 31 December 2014 contains the explanations which the Parent's Directors consider appropriate about the situation of LAR ESPAÑA REAL ESTATE SOCIMI, S.A. and Subsidiaries, the evolution of their business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated Directors' report is consistent with that contained in the consolidated financial statements for the period of eleven months and fourteen days ended 31 December 2014. Our work as auditors was confined to checking the consolidated Directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of LAR ESPAÑA REAL ESTATE SOCIMI, S.A. and Subsidiaries.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Antonio Sánchez-Covisa Martín-González

25 February 2015

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

Consolidated Annual Accounts for the period of 11 months and 14 days ended 31 December 2014

(Prepared under International Financial Reporting Standards as adopted by the European Union)

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Consolidated statement of financial position at 31 December 2014

(Expressed in thousands of Euros)

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 32). In the event of a discrepancy, the Spanish-language version prevails.

Assets	Note	2014
Investment property	7	357,994
Equity-accounted investees	4b	18,087
Non-current financial assets	10	3,841
Total non-current assets		379,922
Inventories	11	2,843
Trade and other receivables	10, 12	1,970
Other current financial assets	10	32,032
Other current assets		136
Cash and cash equivalents	13	20,252
Total current assets		57,233
Total assets		437,155

The accompanying notes 1 to 32 and Appendix I form an integral part of the consolidated statement of financial position at 31 December 2014.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Consolidated statement of financial position at 31 December 2014

(Expressed in thousands of Euros)

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 32). In the event of a discrepancy, the Spanish-language version prevails.

Equity and Liabilities	Note	2014
Capital	14a	80,060
Share premium	14b	320,000
Other reserves	14c	(9,185)
Retained earnings		3,456
Treasury shares	14c	(4,838)
Total equity		389,493
Loans and borrowings	16, 17	37,666
Other non-current liabilities	16, 18	5,143
Total non-current liabilities		42,809
Loans and borrowings	16	156
Trade and other payables	16, 19	4,697
Total current liabilities		4,853
Total equity and liabilities		437,155

The accompanying notes 1 to 32 and Appendix I form an integral part of the consolidated statement of financial position at 31 December 2014.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Consolidated income statement at 31 December 2014

(Expressed in thousands of Euros)

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 32). In the event of a discrepancy, the Spanish-language version prevails.

Consolidated Income Statement	Note	2014
Revenues	5, 23	8,606
Other income		217
Employee benefits expense	25	(108)
Other expenses	24	(7,231)
Changes in fair value of investment property	7	442
Results from operating activities		1,926
Finance income	26	2,391
Finance costs	26	(519)
Share in profit (loss) for the period of equity-accounted companies		342
Profit before tax from continuing operations		3,456
Profit from continuing operations	27	3,456
Income tax expense	21	-
Profit for the year		3,456
Basic earnings per share (in Euros)	15	0.09
Diluted earnings per share (in Euros)	15	0.09

Consolidated Statement of Comprehensive Income	2014
Profit for the year	3,456
Income and expense recognised directly in equity	-
Other amounts transferred to the income statement	-
Total Comprehensive Income	3,456

The accompanying notes 1 to 32 and Appendix I form an integral part of the consolidated statement of comprehensive income for the period of 11 months and 14 days ended 31 December 2014.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

Consolidated Statement of Total Changes in Equity at 31 December 2014
(Expressed in thousands of Euros)

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 32). In the event of a discrepancy, the Spanish-language version prevails.

	Capital	Share premium	Other reserves	Other contributions	Retained earnings	Treasury shares	Total equity
Incorporation of Parent Company	60	-	(2)	-	-	-	58
Capital increases	80,000	320,000	(9,419)	240	-	-	390,821
Treasury shares	-	-	(4)	-	-	(4,838)	(4,842)
Income and expense recognised directly in equity	-	-	-	-	3,456	-	3,456
Balance at 31 December 2014	80,060	320,000	(9,425)	240	3,456	(4,838)	389,493

The accompanying notes 1 to 32 and Appendix I form an integral part of the consolidated statement of changes in equity for the period of 11 months and 14 days ended 31 December 2014.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Consolidated Statement of Cash Flows for the period of 11 months and 14 days ended 31 December 2014
(Expressed in thousands of Euros)

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 32). In the event of a discrepancy, the Spanish-language version prevails.

	Note	2014
Cash flows from operating activities		
Profit for the year		3,456
Adjustments for:		(1,810)
Profit / (loss) from adjustments to fair value of investment property	7	(442)
Finance income	26	(2,391)
Finance costs	26	519
Share in profit / (loss) for the period of equity-accounted investees		342
Impairment	12	162
Change in working capital:		(414)
Inventories	11	(2,843)
Trade and other receivables	12	(2,132)
Trade and other payables	19	4,697
Other current assets		(136)
Other cash flows from operating activities:		1,575
Interest received		2,094
Interest paid		(519)
Cash flows from operating activities		2,807
Cash flows from investing activities		
Acquisition of equity-accounted associates		(18,429)
Acquisition of investment property	7	(357,552)
Acquisition of financial assets		(35,576)
Cash flows used in investing activities		(411,557)
Cash flows from financing activities		
Proceeds from capital issue	14a	390,879
Payments for acquisition of treasury shares and own equity instruments	14c	(4,842)
Loans and borrowings		37,822
Other non-current liabilities	18	5,143
Cash flows from financing activities		429,002
Net increase in cash and cash equivalents	13	20,252
Cash and cash equivalents		
Cash and cash equivalents at 31 December	13	20,252

Notes 1 to 32 and Appendix I form an integral part of the consolidated statement of cash flows for the period of 11 months and 14 days ended 31 December 2014.

Translation of consolidated annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 32). In the event of a discrepancy, the Spanish-language version prevails.

(1) Nature, Activities and Composition of the Group

Lar España Real Estate SOCIMI, S.A. (hereinafter the Parent Company or Lar España) was incorporated with limited liability under Spanish law on 17 January 2014, as Lar España Real Estate, S.A. Its name was changed to the current name on 6 February 2014.

Its registered office is located at Rosario Pino 14-16, 28020 Madrid.

According to its articles of association, the Parent Company's statutory activity consists of the following:

- The acquisition and development of urban properties for lease.

- The holding of investments in the capital of other SOCIMIs (listed corporations for investment in the real estate market - Spanish "REITs") or in other entities not resident in Spain that have an identical statutory activity and are subject to a regime similar to that applicable to SOCIMIs, insofar as they have a legal or statutory obligation to distribute profits.

- The holding of investments in the capital of other resident or non-resident entities in Spain, the main activity of which is the acquisition of urban properties for lease. These entities must be subject to the same regime established for SOCIMIs insofar as they have a legal or statutory obligation to distribute profits and must also comply with the investment requirements stipulated in article 3 of Law 11/2009 of 26 October 2009, amended by Law 16/2012 of 27 December 2012 which governs SOCIMIs.

- The holding of shares or investments in property collective investment undertakings governed by Law 35/2003 of 4 November 2003 on collective investment undertakings, or legislation replacing that law in the future.

- In addition to the economic activity derived from the principal statutory activity, SOCIMIs may carry out complementary activities. These are understood to be activities that do not amount to more than 20% of the total earnings of the Group in each tax period or those which can be considered complementary pursuant to prevailing legislation.

The principal activity of the other Group companies consists of the acquisition and management of shopping centres and offices. However, they may invest on a smaller scale in other assets for rent or for direct sale (commercial premises, logistics bays, logistics centres or residential products).

Lar España Real Estate SOCIMI, S.A. has been listed on the Spanish Stock Exchanges and the Spanish automated quotation system since 5 March 2014.

The Parent Company is regulated by Law 11/2009 of 26 October 2009, as amended by Law 16/2012 of 27 December 2012, which governs SOCIMIs. Article 3 establishes the investment requirements for this type of company, namely:

1. SOCIMIs must invest at least 80% of their assets in urban properties for lease, in land for the development of urban properties for lease, provided that development commences within three years after the acquisition, or in the capital or equity of other entities referred to in article 2.1 of Law 11/2009.

   Asset value will be based on the average of the asset values reflected in the individual quarterly balance sheets for the year. To calculate this value, the Company may replace the carrying amount of the items comprising those balance sheets with their market value, which would apply to all the balance sheets for the year. For these purposes, cash or receivables derived from transfers of these properties or investments, if any, carried out in the current year or previous years shall not be included provided, in the latter case, that the period for reinvestment stipulated in article 6 of the aforementioned Law has not expired.

2. Furthermore, at least 80% of income for the tax period and corresponding to each period, excluding that derived from the transfer of those equity investments and properties held for the purpose of carrying out the principal statutory activity, once the mandatory period mentioned in the following section has elapsed, must originate from property leases and dividends or shares in profits arising from those equity investments.

   This will be calculated as a percentage of consolidated profit if the company is the parent of a group in accordance with the criteria established in article 42 of the Spanish Code of Commerce, irrespective of domicile and of the obligation to draw up consolidated annual accounts. This group shall comprise solely the SOCIMIs and other entities to which article 2.1 of the above Law refers.

3. The properties that constitute the SOCIMI's assets must be leased for at least three years. The period of time during which the properties have been available for lease, up to a maximum of one year, shall be included for the purposes of this calculation.
   The period shall be calculated as follows:

   a) For properties included in the SOCIMI's holdings prior to availing of the regime, from the starting date of the first tax period in which the special tax regime established in the Law is applied, provided that on that date the asset was leased or available for lease. If not, the provisions of the following letter shall apply.

   b) For properties developed or acquired subsequently by the Company, from the date on which they were leased or available for lease for the first time.

For shares or investments in the entities referred to in article 2.1 of the aforementioned Law, they should be maintained as assets on the SOCIMI's balance sheet for at least three years from their acquisition or, where applicable, from the start of the first tax period in which the special tax regime established in the above Law is applied.

Pursuant to the first transitional provision of Law 11/2009 of 26 October 2009, amended by Law 16/2012 of 27 December 2012 governing SOCIMIs, such entities may opt to apply the special tax regime under the provisions of article 8 of that Law, even if they do not meet the requirements set forth therein, provided these requirements are met within two years of the date on which they opt to apply the aforementioned regime.

Failure to comply with this condition will require the Parent to file tax under the general corporate income tax regime as of the tax year in which such failure arises, unless the failure is redressed in the following year. In addition, the Parent Company shall be obliged to deposit, together with the tax due for that tax period, the difference between the corporate income tax due under the general tax regime and the tax paid under the special tax regime in prior tax periods, without prejudice to any late payment interest, charges or fines that may be due.

Furthermore, Law 11/2009 of 26 October 2009, as amended by Law 16/2012 of 27 December 2012, establishes the following specific modifications:

- Flexible criteria for acquiring and maintaining properties: there is no lower limit regarding the number of properties that may be contributed when constituting a SOCIMI, except for residential properties, of which the minimum number of properties contributed shall be eight. Properties are no longer required to be kept on the SOCIMI's balance sheet for seven years, only for a minimum of three years.

- Reduced capital requirements and unlimited financial leverage: the minimum capital requirement has been reduced from Euros 15 million to Euros 5 million, and the ceiling on borrowing by the property investment vehicle has been lifted.

- Reduced dividend distribution: until this Law entered into force, it was compulsory to distribute 90% of profits; this payout requirement has been reduced to 80%, applicable as of 1 January 2013.

- The tax rate for SOCIMIs for corporate income tax purposes is 0%. However, when a SOCIMI distributes dividends to shareholders with an interest greater than 5%, or that are exempt from tax or are subject to tax at less than 10%, a special tax which shall have the consideration of corporate income tax shall be levied on the SOCIMI at a rate of 19% of the dividend distributed to those shareholders. Where applicable, this special tax must be paid by the SOCIMI within two months of the dividend distribution date.

The Parent Company's directors consider that the legal requirements for SOCIMIs will be met within the time frame for compliance provided for in the above law.

(2) Basis of Presentation

(a) Regulatory framework

The accompanying consolidated annual accounts for the period of 11 months and 14 days ended 31 December 2014 have been prepared on the basis of the accounting records of Lar España Real Estate SOCIMI, S.A. and subsidiaries, and in accordance with:

- The Spanish Code of Commerce and related mercantile legislation,
- International Financial Reporting Standards as adopted by the European Union (IFRS-EU) through Regulation (EC) No 1606/2002/EC of the European Parliament and Law 62/2003 of 31 December 2003, on tax, administrative and social measures, as well as the applicable standards and circulars issued by the Spanish Securities Market Commission,
- Law 11/2009 of 26 October 2009, as amended by Law 16/2012 of 27 December 2012, which governs SOCIMIs,
- All other applicable Spanish accounting principles.

To present fairly the consolidated equity and consolidated financial position of Lar España Real Estate SOCIMI, S.A. and subsidiaries at 31 December 2014 and the consolidated results of operations, changes in consolidated equity and consolidated cash flows for the period of 11 months and 14 days then ended.

These consolidated annual accounts have been prepared applying the regulations in force at 31 December 2014.

(b) Functional and presentation currency

The figures disclosed in the consolidated annual accounts for the period of 11 months and 14 days ended 31 December 2014 are expressed in thousands of Euros, which is the functional and presentation currency of the Group.

(c) Comparative information

As mentioned in note 1, the Parent Company was incorporated on 17 January 2014, and, therefore, the reporting period for the consolidated annual accounts for the period of 11 months and 14 days ended 31 December 2014 is from 17 January 2014 to 31 December 2014. Since this is the Parent's first year of activity, the directors have not included comparative figures in the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows, or the notes thereto.

(d) Relevant accounting estimates, assumptions and judgements used when applying accounting principles

The information included in the consolidated annual accounts is the responsibility of the Parent Company's Board of Directors.

Relevant accounting estimates and judgements, and other estimates and assumptions have to be made when applying the Group's accounting principles to prepare its consolidated annual accounts in accordance with IFRS-EU.

A summary of the items requiring a greater degree of judgement or which are more complex, or where the assumptions and estimates made are significant to the preparation of the consolidated financial statements, is as follows:

(i) *Relevant accounting estimates and assumptions*

- Calculation of fair value of investment property (see note 7)

- Valuation allowances for bad debts and the review of individual balances based on customers' credit ratings, market trends and the historical analysis of bad debts at an aggregated level all require a high degree of judgement by the management (see note 12).

- Determination of the fair value of certain financial instruments (see note 10).

- Assessment of provisions and contingencies (see note 4(i)).

- Financial risk management (see note 22).

(ii) *Changes in accounting estimates*

Although estimates are calculated by the Parent Company's directors based on the best information available at 31 December 2014, future events may require changes to these estimates in subsequent years. The effect on the consolidated financial statements of any changes arising from the adjustments to be made in subsequent periods would be recognised prospectively, in accordance with the provisions of IAS 8.

(iii) *Determination of fair value*

Certain accounting and Group policies require the fair value of assets and liabilities, both financial and non-financial, to be determined.

To determine the fair value of an asset or liability, the Group uses observable market data to the largest extent possible. Fair values are classified according to the fair value hierarchy based on the input data used in the valuation techniques, as follows:

- Level 1: listed price (unadjusted) on active markets for identical assets or liabilities.

- Level 2: observable inputs other than the listed prices used in Level 1 for assets or liabilities, directly (i.e., such as prices) or indirectly (i.e., derived from prices).

- Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

If the input data used to measure the fair value of an asset or a liability can be classified according to the fair value hierarchy, then the fair value measurement is classified in its entirety in the same level of the fair value hierarchy, which would be the lowest level of significant input data required for full measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the period in which the change occurs.

(e) Standards and interpretations adopted since 1 January 2014

The following mandatory standards and interpretations already adopted by the European Union entered into force in 2014 and, where applicable, have been used by the Group to prepare the accompanying consolidated annual accounts at 31 December 2014:

– IFRS 10: Consolidated Financial Statements This establishes a single consolidation model for all entities based on the control concept, irrespective of the nature of the investee. It replaces the consolidation requirements of IAS 27.

– IFRS 11: Joint Arrangements. This replaces the consolidation requirements of IAS 31.

– IFRS 12: Disclosure of Interests in Other Entities This establishes the disclosure requirements for subsidiaries, associates, joint arrangements and unconsolidated structured entities.

– IAS 27: Separate Financial Statements Following the issue of IFRS 10, this standard shall only apply to the separate financial statements of an entity.

– IAS 28: Investments in Associates and Joint Ventures Revision issued simultaneously to the issue of IFRS 11. Joint arrangements: this now also addresses the treatment of jointly owned entities as they have no option but to be accounted for under the equity method as associates are.

– Transitional provisions: Amendment to IFRS 10, 11 and 12 Clarification of the transitional provisions for these standards.

– Investment entities: Amendment to IFRS 10, IFRS 12 and IAS 27 Exception to the consolidation of parents that meet the criteria to be defined as investment entities.

– Amendment of IAS 32: Financial Instruments: Presentation Offsetting Financial Assets and Financial Liabilities Additional clarifications of the rules for offsetting financial assets and financial liabilities under IAS 32.

– Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets. This amendment clarifies when certain disclosures are necessary and extends the scope of the requirements when the recoverable amount is based on the fair value less costs to sell.

– Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting. The amendments specify the cases and criteria under which the novation of derivatives does not require hedge accounting to be discontinued.

(f) Standards and interpretations issued but not effective at 1 January 2014

At the date of approval of these consolidated annual accounts, the following standards and interpretations had been issued by the IASB but had not yet entered into force, either because the date on which they become effective is subsequent to the date of the consolidated annual accounts or because they have not yet been adopted by the European Union:

– IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2018). This replaces the requirements for classification, measurement and derecognition of financial assets and financial liabilities and hedge accounting under IAS 39. Pending adoption by the EU.

– Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture. Effective for annual periods beginning on or after 1 January 2016.

– Amendment to IFRS 11 Accounting for acquisitions of interests in joint operations (published in May 2014). The amendment specifies how to account for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business. Effective for annual periods beginning on or after 1 January 2016.

– IFRS 14 Regulatory Deferral Accounts. Effective for annual periods beginning on or after 1 January 2016.

– IFRS 15 Revenue from Contracts with Customers (published in May 2014). New revenue recognition standard (replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31) Effective for annual periods beginning on or after 1 January 2017. Pending adoption by the EU.

- IAS 16 and IAS 38 Acceptable Methods of Depreciation and Amortisation (published in May 2014). Clarification of acceptable methods of depreciation and amortisation. Effective prospectively from 1 January 2016. Pending adoption by the EU.

- Amendment to IAS 19 Defined Benefit Plans: Employee Contributions (published in November 2013). The amendments to clarify the requirements on how to allocate employee or third-party contributions linked to service periods. Effective for annual periods beginning on or after 1 July 2014.

- IFRIC 21 Levies (published in May 2013). The European Union has endorsed IFRIC 21 (EU Bulletin of 14 June 2014), amending the original date of entry into force established by the IASB, 1 January 2014, to 17 June 2014. Interpretation on when to recognise a liability to pay a levy that is conditional upon the entity's participation in an activity at a specific date.

- IAS 27 Amendments to address the application of the equity method in separate financial statements. Effective for annual periods beginning on or after 1 January 2016.

The Group is currently evaluating the impact that the future application of these standards could have on the consolidated annual accounts when they enter into force. The Group's preliminary assessment is that the impact of applying these standards will not be material.

(3) Distribution of Profit

The proposed distribution of profit prepared by the Parent Company's directors, to be submitted to the shareholders for approval at their annual general meeting, is as follows:

	Thousands of Euros
Basis of allocation	
Profit for the year	1,664
Distribution	
Legal reserve	166
Dividends	1,331
Voluntary reserve	167
	1,664

(4) Consolidation Principles

Companies in which the Group holds a majority of voting rights in the representative or decision-making bodies, or which are effectively managed by the Group, are fully consolidated; jointly controlled entities managed with third parties are accounted for using the equity method.

The Group companies have been consolidated using the financial statements at 31 December 2014.

(a) Subsidiaries

Subsidiaries are entities, including structured entities, over which the Parent Company, either directly or indirectly through subsidiaries, exercises control. The Parent Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The Parent Company has power over a subsidiary when it has existing substantive rights that give it the ability to direct the relevant activities. The Parent is exposed, or has rights, to variable returns from its involvement with the subsidiary when its returns from its involvement have the potential to vary as a result of the subsidiary's performance.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The income, expenses and cash flows of subsidiaries are included in the consolidated financial statements from their acquisition date, which is the date on which the Group obtained effective control of the aforementioned subsidiaries. Subsidiaries are no longer consolidated from the date on which control is lost.

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

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

The annual accounts or financial statements of the subsidiaries used in the consolidation process have been prepared as of the same date and for the same period as those of the Parent Company.

Details of the subsidiaries and relevant information thereon are presented in Appendix I to the notes on the consolidated annual accounts.

(b) Joint Ventures

Joint ventures are understood as contractual agreements whereby two or more entities ("venturers") take part in entities (jointly controlled) or carry out operations or hold assets such that any strategic decision of a financial or operational nature that affects them requires the unanimous consent of all venturers.

In the consolidated annual accounts, joint ventures are measured using the equity method, which consists of incorporating the net asset value and goodwill, if any, of the investment held in the associate into the consolidated statement of financial position item, Equity-accounted investees. The net profit or loss for each year corresponding to the percentage of the investment in these companies is reflected in the consolidated statement of comprehensive income as Share in profit (loss) for the period of equity-accounted companies.

Details of the joint ventures and relevant information thereon are presented in Appendix I to the notes on the consolidated annual accounts.

(c) Business combinations

The Group applies the acquisition method for business combinations. The acquisition date is the date on which the Group obtains control of the acquiree.
The consideration transferred is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition costs such as professional fees are not included in the cost of the business combination and are recognised in the consolidated income statement.

The contingent consideration, where applicable, is measured at the acquisition-date fair value. Any subsequent change to the fair value of the contingent consideration is recognised in the consolidated income statement, unless the change occurs within the one-year period established as the provisional accounting period, in which case it is reflected as a change in goodwill.

Goodwill is calculated as the difference between the sum of the consideration transferred, plus non-controlling interests, plus the fair value of any previously held investment in the acquiree, less the acquiree's identifiable net assets.
Should the acquisition cost of identifiable net assets be below their fair value, the lesser amount shall be recognised in the consolidated statement of comprehensive income for the year.

(d) Harmonisation of account items

The accounting policies of the Parent Company have been applied to all companies of the consolidated Group, in order to present the different items in the consolidated annual accounts in a standardised format. Therefore, in general, uniform measurement standards have been applied.

In 2014, the same date has been used for the accounting close of the annual accounts of all the companies included in the consolidated group, or the reporting dates have been temporarily standardised to match that of the Parent Company.

(e) Consolidated Group

The companies included in the consolidated Group and the consolidation method used at 31 December 2014 are as follows:

Name	Inclusion	Activity	% ownership	Consolidation method
LAR España Inversión Logística, S.A.	On incorporation	The acquisition and development of urban properties for lease	100%	Fully consolidated
LAR España Shopping Centres, S.A.	On incorporation	The acquisition and development of urban properties for lease	100%	Fully consolidated
Lar España Parque de Medianas, S.A.	On incorporation	The acquisition and development of urban properties for lease	100%	Fully consolidated
LAR España Offices, S.A.	On incorporation	The acquisition and development of urban properties for lease	100%	Fully consolidated
Riverton Gestión, S.L.U.	On acquisition	The acquisition and development of urban properties for lease	100%	Fully consolidated *(ii)*
Global Noctua, S.L.	On acquisition	The acquisition and development of urban properties for lease	100%	Fully consolidated *(ii)*
Lavernia Investments, S.L.	On acquisition	The acquisition and development of urban properties for lease	50%	Equity-accounted method *(ii)*
Puerta Marítima Ondara, S.L.	On acquisition	The acquisition and development of urban properties for lease	58.78%	Equity-accounted method *(i)*

(i) The Group company Puerta Marítima Ondara, S.L. has been included in the consolidated financial statements using the equity method, in accordance with IFRS 11, because, as stipulated in the articles of association and shareholder agreements, it is jointly controlled by the Parent Company and by Grupo Lar Inversiones Inmobiliarias, S.A.

(ii) These companies, which were acquired in 2014, did not have any significant activity, assets or liabilities at the acquisition date.

The main indicators for joint ventures (standardized to the regulatory framework applicable to the Group) at 31 December 2014 are as follows:

	Thousands of Euros	
	2014	
	Puerta Marítima Ondara, S.L.	Lavernia Investments, S.L.
Non-current assets	82,576	-
Current assets	2,718	4
Non-current liabilities	46,571	-
Current liabilities	7,959	-
Revenues	5,249	-
Profit for the year	158	(3)

(5) Accounting Principles

(a) Investment property

Investment property is property, including that which is under construction or being developed for future use as investment property, which is earmarked totally or partially to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services, for administrative purposes within the Group or for sale in the ordinary course of business.

All assets classified as investment property are in operation and occupied by various tenants. These properties are intended for lease to third parties. The directors of the Parent Company do not plan to dispose of these assets in the foreseeable future and have therefore decided to maintain these assets in the consolidated statement of financial position as investment property.

Investment property is presented at fair value at the reporting date and is not depreciated. Profits or losses derived from changes in the fair value of the investment properties are recognised when they arise.

Execution and finance costs are capitalised during the period in which the works are carried out. When the asset enters into service it is recognised at fair value.

When determining the fair value of its investment property, the Group commissions independent appraisers not related to the Group to appraise all of its assets at 30 June and 31 December. Buildings are appraised individually, taking into consideration each of the lease contracts in force at the appraisal date. Buildings with areas that have not been rented out are appraised on the basis of estimated future rents, minus a marketing period.

(b) Leases

(iii) Classification of leases

The Group classifies leases as finance leases when substantially all the risks and rewards incidental to ownership of the leased asset are transferred to the lessee under the terms and conditions of the lease, otherwise they are classified as operating leases. The Group has not engaged in any finance lease transactions.

(iv) Operating leases

- Lessor accounting records

Assets leased to third parties under operating lease contracts are presented according to their nature.

Operating lease income, net of incentives granted, is recognised in income on a straight-line basis over the lease term.

Contingent rents are recognised as income when it is probable that they will be obtained, which is generally when the conditions agreed in the contract arise.

- Lessee accounting records

Lease payments under an operating lease, net of incentives received, are recognised as an expense on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the lease's benefit.

The Group recognises initial direct costs of operating leases as an expense when incurred.

Contingent rents are recognised as an expense when it is probable that they will be incurred.

(c) Financial instruments

(i) *Classification of financial instruments*

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument in IAS 32 Financial Instruments: Presentation.

The Group recognises financial instruments when it becomes party to the contract or legal transaction, in accordance with the terms set out therein.
Financial instruments are classified into the following categories: loans and receivables, held-to-maturity investments, available-for-sale financial assets and financial liabilities at amortised cost. Financial instruments are classified into different categories based on the nature of the instruments and the Group's intentions on initial recognition.

(ii) *Offsetting principles*

A financial asset and a financial liability are offset only when the Group currently has the legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iii) *Loans and receivables*

This item comprises non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They mainly comprise security deposits received from lessees and placed with public bodies, bank deposits and accrued interest receivable on the deposits. These assets are classified as current unless they mature more than 12 months after the reporting date, in which case they are classified as non-current. Loans and receivables related to trade operations are included under trade and other receivables in the consolidated statement of financial position, and the security deposits and guarantees are shown under non-current financial assets or other current financial assets, according to when they mature.

These financial assets are initially measured at fair value, including directly attributable transaction costs, and subsequently carried at amortised cost, recognising accrued interest at the effective interest rate, which is the discount rate that matches the instrument's carrying amount with all estimated cash flows to maturity. Nevertheless, trade receivables falling due in less than one year are carried at their nominal amount on both initial recognition and subsequent measurement, provided that the effect of not discounting the cash flows is immaterial.

At least at year end, the necessary impairment losses are recognised when there is objective evidence that not all the amounts receivable will be collected.

(iv) *Impairment and uncollectibility of financial assets*

A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and the event or events have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

- Impairment of financial assets carried at amortised cost

The amount of the impairment loss of financial assets carried at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For floating-rate financial assets, the effective interest rate corresponding to the measurement date under the contractual conditions is used.

If the financial asset is secured by collateral, impairment is determined based on the present value of the cash flows that could be generated from the foreclosure of the asset, less costs of foreclosing and sale, discounted at the original effective interest rate. If the financial asset is not secured by collateral, the Group applies the same criteria when the foreclosure is considered probable.

The Group recognises the impairment loss and uncollectibility of loans and receivables and debt instruments by recognising an allowance account for financial assets. When impairment and uncollectibility are considered irreversible, their carrying amount is eliminated against the allowance account.

The impairment loss is recognised in profit and loss and may be reversed in subsequent periods if the decrease can be objectively related to an event occurring after the impairment has been recognised. The loss can only be reversed to the limit of the amortised cost of the assets had the impairment loss not been recognised. The reversal of the loss is recognised against the allowance account.

(v) *Financial liabilities*

Financial liabilities, including trade and other payables, are initially recognised at fair value, adjusted for directly attributable transaction costs, and subsequently carried at amortised cost using the effective interest method. The effective interest rate is the discount rate that matches the instrument's carrying amount with the expected future flow of payments to the maturity date of the liability.

Nevertheless, trade payables falling due in less than one year that have no contractual interest rate are carried at their nominal amount on both initial recognition and subsequent measurement, since the effect of discounting the cash flows is immaterial.

Loans to the Group maturing in more than one year are recognised as non-current liabilities. According to the contractual terms between the Group and the financial institutions, interest payable is recognised as it accrues.

Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Derecognition and modifications of financial liabilities

The Group derecognises all or part of a financial liability when it either discharges the liability by paying the creditor, or is legally released from primary responsibility for the liability either by process of law or by the creditor.

The exchange of debt instruments between the Group and the counterparty or substantial modifications of initially recognised liabilities are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, providing the instruments have substantially different terms.

The Group considers the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

If the exchange is accounted for as an extinguishment of the financial liability, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

The difference between the carrying amount of a financial liability, or part of a financial liability, extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Treasury shares of the Parent Company

The Group's acquisition of equity instruments of the Parent Company is recognised separately at cost of acquisition in the consolidated statement of financial position as a reduction in equity, irrespective of the reason for the purchase. Any gains or losses on transactions with own equity instruments are not recognised.

The subsequent redemption of the equity instruments of the Parent Company entails a capital reduction equivalent to the par value of the shares. Any positive or negative difference between the purchase price and the par value of the shares is debited or credited to reserves.

Transaction costs related to own equity instruments are accounted for as a reduction in equity, net of any tax effect.

(e) Distributions to shareholders

Dividends are in cash and are recognised as a reduction in equity when approved by the shareholders.

The Parent Company files taxes under the special regime for SOCIMIs. Pursuant to article 6 of Law 11/2009 of 26 October 2009, amended by Law 16/2012 of 27 December 2012, SOCIMIs adopting the special tax regime are required to distribute profit for the period as dividends to shareholders, after settling all corresponding trading obligations. The dividend distribution must be agreed within six months after each period end and the dividend paid within one month from the date of the agreement.

Pursuant to Law 11/2009 of 26 October 2009, amended by Law 16/2012 of 27 December 2012, the Parent Company must distribute as dividends:

(i) 100% of profits deriving from dividends or shares of profits distributed by the entities referred to in article 2.1 of Law 11/2009.

(ii) At least 50% of the profits derived from the transfer of the properties and shares or equity investments referred to in article 2.1 of Law 11/2009, held for the purpose of complying with the principal statutory activity, realised once the periods mentioned in article 3.2 of Law 11/2009 have elapsed. The remainder of these profits must be reinvested in other properties or equity investments to be held for the purpose of complying with the statutory activity, within three years after the transfer date. Otherwise, these profits must be distributed in full together with any profits obtained during the period in which the reinvestment period expires. If the items in which the investment is made are transferred in the mandatory period during which they must be held, the associated profits must be distributed in full together with any profits obtained during the period in which the items were transferred. The mandatory distribution of profits does not apply to any portion of profits attributable to periods in which the Parent Company will not be taxed under the special regime provided for by that law.

(iii) At least 80% of the remaining profits obtained. When the distribution of dividends is charged to reserves deriving from profits for a period to which the special tax regime has been applied, the distribution must be carried out as described above.

(f) Inventories

Inventories are measured at cost of purchase.

The purchase price comprises the amount invoiced by the seller, after deduction of any discounts, rebates or other similar items.

The Group uses the same cost formula for all inventories of the same or similar nature and use within the Group.

When the cost of inventories exceeds net realisable value, materials are written down to net realisable value, which is understood to be the estimated selling cost less costs to sell.

The previously recognised write-down is reversed against profit and loss when the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances. The reversal of the valuation adjustment is limited to the lower of the cost and the revised net realisable value of the inventories.

At 31 December 2014 the Group holds inventories comprising the acquisition of several parking spaces linked to a property development transaction intended for sale.

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits in financial institutions. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a maturity of less than three months from the date of acquisition.

(h) Employee benefits

Short-term employee benefits comprise employee remuneration other than termination benefits that are expected to be settled wholly before 12 months after the end of the reporting period in which the employees render the related services.

Short-term employee benefits shall be reclassified as long-term if the characteristics of the remuneration are modified or if the expectations regarding settlement change with regard to a non-timing related aspect.

The Group recognises the expected cost of profit-sharing and bonus plans when it has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

(i) Provisions

Provisions are recognised 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 will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision in the consolidated statement of financial position is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account all risks and uncertainties surrounding the amount to be recognised as a provision and, where the time value of money is material, the financial effect of discounting, provided that the expenditure to be made each period can be reliably estimated. The discount rate is a pre-tax rate that reflects the time value of money and the specific risks for which future cash flows associated with the provision have not been adjusted at each reporting date.

Single obligations are measured using the individual most likely outcome. When the provision involves a large population of identical items, the obligation is estimated by weighting all possible outcomes by their associated probabilities. Where there is a continuous range of possible outcomes, and each point in that range is as likely as any other, the mid-point of the range is used.

The financial effect of provisions is recognised as a finance cost in profit and loss.

The tax effect and expected gains on the disposal of assets are not taken into account in measuring a provision.

Rights to reimbursement from third parties of the expenditure required to settle a provision are recognised as a separate asset provided that it is virtually certain that the reimbursement will be received. Any income deriving from the reimbursement is recognised in profit and loss as a reduction in the provision expense up to the amount of the provision.

If it is not probable that an outflow of resources will be required to settle an obligation, the provision is reversed. The provision is reversed against the consolidated income statement item in which the related expense was recognised, and any surplus is accounted for in other income.

(j) Revenue recognition

Revenue from leases is recognised at the fair value of the consideration received or receivable.

Discounts (rent-free periods and bonuses) granted to customers are recognised as a reduction in sales revenue when it is probable that the discount conditions will be met.

Discounts are recognised by allocating the total amount of rent waived during the rent-free period or of the bonus on a straight-line basis over all the periods in which the tenant's contract is in force. Should the rental contract end sooner than expected, the unrecognised portion of the waived rent or bonus will be recorded in the last period prior to contract termination.

(i) *Lease of investment property to third parties*

The principal activity of the companies that form the Group consists of the acquisition and management of shopping centres and offices. However, they may invest on a smaller scale in other assets for rent or for direct sale (commercial premises, logistics bays, logistics centres or residential products). Group revenues originate from the lease of this investment property to third parties.

Revenues derived from the lease of investment property are recognised by reference to the stage of completion at the reporting date when the outcome of the transaction can be estimated reliably. The Group companies recognise revenue from leases on a monthly basis in accordance with the terms and amounts agreed in the different agreements entered into with their tenants. This revenue is recognised only when it can be measured reliably and it is probable that the economic benefits associated with the lease will be received.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of costs incurred that are recoverable.

Invoices issued to tenants include Euros 2,713 thousand for communal charges (shared utility costs, services, etc.) passed on to them. This amount is presented, according to its nature, net of the corresponding expenses under other expenses in the accompanying consolidated statement of comprehensive income for the period ended 31 December 2014.

The Group regularly assesses whether any service contracts are onerous and, where applicable, recognises the necessary provisions.

(k) Income tax

(i) *General regime*

The income tax expense or tax income for the year comprises current and deferred tax.

Current tax reflects income tax settlements payable for the year. Deductions and other tax relief applicable to payable taxes, excluding withholdings and payments on account, and tax loss carryforwards applied in the current reporting period are accounted for as a reduction in current tax.

Deferred tax income or expenses derive from the recognition and cancellation of deferred tax assets and liabilities. These include temporary differences, which are defined as the amounts which are expected to be paid or recovered in the future for differences between the carrying amount of assets and liabilities and their tax value, as well as tax loss carryforwards and tax deductions pending application. These amounts are recognised by applying the rate of tax at which they are expected to be recovered or settled.

(ii) *Tax regime for SOCIMIs*

The Parent Company and the subsidiaries file tax returns under the special regime for SOCIMIs. This tax regime, following the amendment introduced by Law 16/2012 of 27 December 2012, is based on paying a corporate income tax rate of 0%, provided certain requirements are met. Among these, it bears mentioning that at least 80% of their assets must comprise urban properties for rental under outright ownership or through shares in companies fulfilling these same investment and profit distribution criteria, whether Spanish or foreign and whether quoted in an organised securities market or not. Similarly, the main source of income for these companies must be the real estate market, whether through rentals, the subsequent sale of properties following a minimum rental period, or income from shareholdings in companies of a similar nature. Nevertheless, tax is accrued proportionately to the dividends distributed. Dividends received by shareholders are exempt from tax, unless the recipient is a legal entity subject to corporate income tax or a permanent establishment of a foreign entity, in which case a deduction is applied to the tax payable so that this income is taxed at the tax rate applicable to the shareholder. However, the remaining income is not subject to taxation provided it is not distributed among shareholders.

Pursuant to the ninth transitional provision of Law 11/2009 of 26 October 2009, amended by Law 16/2012 of 27 December 2012, governing SOCIMIs, the entity shall be subject to a special tax rate of 19% on the total amount of dividends or shares in profits distributed among shareholders with an interest in the entity exceeding 5%, when such dividends are tax-exempt or are taxed at a rate of less than 10% at the shareholders' seat of economic activity. The Group has established a procedure whereby shareholders confirm their tax status and, where applicable, 19% of the amount of the dividend distributed among the shareholders that do not meet the aforementioned tax requirements is withheld.

(l) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group’s chief operating decision-maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(m) Classification of assets and liabilities as current and non-current

The Group classifies assets and liabilities in the consolidated statement of financial position as current and non-current. Current assets and liabilities are determined as follows:

- Assets are classified as current when they are expected to be realised or are intended for sale or consumption in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are expected to be realised within 12 months after the reporting date or are cash or a cash equivalent, unless the assets may not be exchanged or used to settle a liability for at least 12 months after the reporting date.

- Liabilities are classified as current when they are expected to be settled in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are due to be settled within 12 months after the reporting date or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(n) Insurance contracts

The Group is insured against civil liability and against damage to the investment property in operation or under construction. In addition, the Group has taken out insurance in connection with the members of the board of directors and senior management.

(o) Environmental information

The Group takes measures to prevent, reduce and repair the damage caused to the environment by its activities.
Expenses derived from environmental activities are recognised as operating expenses in the period in which they are incurred. However, due to its nature, the Group's activity does not have a significant impact on the environment.

(p) Statement of cash flows

The statement of cash flows has been prepared using the indirect method and the following expressions and definitions:

- Cash flows: inflows and outflows of cash and cash equivalents, the latter being short-term, highly liquid investments not subject to significant risk of changes in value.

- Operating activities: the usual activity of the Group and other activities that cannot be classified as investing or financing activities.

- Investing activities: the acquisition, sale or other disposal of non-current assets and other investments not included in cash and cash equivalents.

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

(6) Segment Reporting

The Group is organised internally into operating segments, with three distinct lines of business: shopping centres (which comprises the rental of shopping centre and single-tenant commercial premises), offices (constituting the office rental business) and logistics (the logistics bay rental business). These are the strategic business units.

At 31 December 2014 the Group comprises the operating segments listed below, with the following revenues and principal services:

- Shopping centres: Txingudi, Las Huertas, Albacenter, Anec Blau, Hiper Albacenter, Nuevo Alisal and Villaverde.

- Office buildings: Arturo Soria, Cardenal Marcelo Spinola, Egeo and Eloy Gonzalo.

- Logistics: Alovera I and Alovera II.

The profit generated by each segment and by each asset within each segment is used as a measure of its performance because the Group considers that this is the most relevant information by which to assess the profits generated by specific segments as compared with other groups which operate in these businesses.

Details of these activities by segment at 31 December 2014 are shown below:

	Thousands of Euros				
	2014				
	Shopping centres	Office buildings	Logistics	Head Office and other*	Total
Revenue from external customers:	6,298	1,115	1,193	-	8,606
Revenue from leases	6,298	1,115	1,193	-	8,606
Total revenues	6,298	1,115	1,193	-	8,606
Other income	217	-	-	-	217
Changes in fair value of investment property	462	(27)	7	-	442
Personnel expenses	-	-	-	(108)	(108)
Operating expenses	(2,772)	(374)	(125)	(3,960)	(7,231)
Operating profit (Operating loss)	4,205	714	1,075	(4,068)	1,926
Net finance cost	(195)	(324)	-	2,391	1,872
Equity-accounted investees	(342)	-	-	-	(342)
	3,668	390	1,075	(1,677)	3,456

* The line item Head Office and other essentially comprises the income and expense related to the start-up of the Group.

	Thousands of Euros				
	2014				
	Shopping centres	Office buildings	Logistics	Head Office and other*	Total
Investment property	189,053	122,870	46,071	-	357,994
Equity-accounted investees	18,087	-	-	-	18,087
Non-current financial assets	2,029	964	848	-	3,841
Total non-current assets	209,169	123,834	46,919	-	379,922
Inventories	-	-	-	2,843	2,843
Trade and other receivables	1,171	89	-	710	1,970
Other current financial assets	-	-	-	32,032	32,032
Other current assets	95	4	-	37	136
Cash and cash equivalents	-	-	-	20,252	20,252
Total current assets	1,266	93	-	55,874	57,233
Total assets	210,435	123,927	46,919	55,874	437,155

	Thousands of Euros				
	2014				
	Shopping centres	Office buildings	Logistics	Head Office and other*	Total
Loans and Borrowings	7,822	30,000	-	-	37,822
Other non-current liabilities	3,163	1,084	896	-	5,143
Trade and other payables	1,145	1,909	176	1,449	4,679
Other current liabilities	-	-	-	18	18
Total liabilities	12,130	32,993	1,072	1,467	47,662

(a) Geographical segments

Revenues per geographical segment are presented on the basis of the location of the assets. Segment assets are also determined by geographical location.

The table below summarises revenues, property, plant and equipment and non-current investment property for each of the assets owned by the Group in each geographical region:

	Thousands of Euros			
	31 December 2014			
	Revenues	%	Non-current assets	%
Basque Country	1,887	21.93	28,500	7.96
Catalonia	2,377	27.62	81,310	22.71
Castile La Mancha	2,070	24.05	86,962	24.29
Castile and Leon	776	9.02	12,000	3.35
Community of Madrid	1,446	16.80	132,215	36.94
Cantabria	50	0.58	17,007	4.75
	8,606	100.00	357,994	100.00

The Group carries out its activity entirely in Spain.

(b) Main customers

This item presents details of the tenants that contributed the most rental revenues during the period ended 31 December 2014, as well as the main characteristics of each one:

Ranking	Trade name	Project	% of total rental income	% Accumulated	Expiry	Sector
1	Centros Comerciales Carrefour, S.A.	Alovera II (Alondra)	8.05%	8.05%	2015	Distribution
2	Tech Data	Alovera I	4.21%	12.26%	2019	Technology
3	Media Markt	Media Markt Villaverde	4.57%	16.83%	2022	Technology
4	Segurcaixa Adeslas, S.A.	Arturo Soria	3.71%	20.54%	2020	Offices
5	C&A	Txingundi/Anec Blau	3.59%	24.13%	2020	Textile/Fashion
6	Mercadona	Anecblau	3.18%	27.31%	2030	Distribution
7	Los Telares	Txingundi/Las Huertas	2.86%	30.17%	2018	Textile/Fashion
8	Bershka	Albacenter/Anec Blau	2.62%	32.78%	2033 / 2025	Textile/Fashion
9	Pull & Bear	Las Huertas/ Albacenter/ Anec Blau	2.57%	35.36%	2025	Textile/Fashion
10	Zara	Anecblau	2.53%	37.89%	2025	Textile/Fashion

(7) Investment Property

Details of the Group's investment property and movement during the period ended 31 December 2014 are as follows:

	Thousands of Euros	
	Investment property	Total
Additions for the period	357,552	357,552
Changes in fair value	442	442
Balance at 31 December 2014	357,994	357,994
Fair value at 31 December 2014	357,994	357,994

Investment property is presented at fair value.

The investment property owned by the Group comprises five shopping centres, four office buildings, two single-tenant commercial properties and two logistics bays, and the land on which these are located, which are held to obtain rental income and are not occupied by the Group.

The main additions for 2014 are as follows:

		Thousands of Euros	
Type of asset	Name	Cost of purchase	Fair value at 31 December 2014
Shopping centre	Txingudi	27,811	28,500
Shopping centre	Las Huertas	12,031	12,000
Office building	Arturo Soria	24,563	24,690
Single-tenant commercial premises	Villaverde	9,328	9,345
Shopping centre	Anec Blau	81,290	81,310
Shopping centre	Albacenter	28,968	29,103
Office building	Cardenal Marcelo Spinola	19,539	19,300
Shopping centre	Albacenter hypermarket	11,823	11,788
Single-tenant commercial premises	Nuevo Alisal	17,340	17,007
Office building	Egeo building	65,874	65,980
Office building	Eloy Gonzalo building	12,921	12,900
Logistics bay	Alovera I	12,929	12,900
Logistics bay	Alovera II	33,135	33,171
		357,552	357,994

At 31 December 2014 Group investment property totalling Euros 81,900 thousand has been pledged as collateral to secure several loans whose balances at 31 December 2014 total Euros 37,822 thousand. The Group has no agreements for the use of investment property, attachment orders thereon or analogous situations.

At 31 December 2014 all buildings comprising investment property are insured.

At 31 December 2014 the Group had no binding commitments to purchase investment property.

(i) *Disclosures on the fair value of investment property*

Details of the assets measured at fair value and the hierarchy in which they are classified are as follows:

	Thousands of Euros			
	2014			
	Total	Level 1	Level 2	Level 3
Recurrent fair value measurements				
Investment property				
Shopping centres				
- Land	73,096	-	-	73,096
- Buildings	115,957	-	-	115,957
Office buildings				
- Land	63,023	-	-	63,023
- Buildings	59,847	-	-	59,847
Logistics bays				
- Land	4,995	-	-	4,995
- Buildings	41,076	-	-	41,076
Total assets measured recurrently at fair value	357,994	-	-	357,994

No assets have been transferred between the different levels during the period.

At 31 December 2014 details of the gross lettable area and occupancy rate by line of business are as follows:

	Square metres	
	Gross lettable area	Occupancy rate
Shopping centres and single-tenant commercial property	84,904	90.20%
Office buildings	41,732	83.10%
Logistics bays	119,147	91.74%

The fair value of the investment property was determined by professionally accredited external independent appraisal companies with recent experience in the locations and categories of the properties being appraised. Independent appraisal companies determine the fair value of the Group's investment property portfolio every six months.

The appraisal of this investment is conducted in accordance with the statements of the RICS Valuation - Professional Standards published by The Royal Institution of Chartered Surveyors ("Red Book"), based in the United Kingdom.

The methodology used to calculate the market value of investment assets consists of preparing 10 years' worth of income and expense projections for each asset, which will subsequently be updated at the reporting date using a market discount rate. The residual amount at the end of year 10 is calculated applying a rate of return ("exit yield" or "cap rate") to the net income projections for year 10. The market values thus obtained are analysed by calculating and analysing the yield capitalisation implicit in these values. The projections are aimed at reflecting the Group's best estimate, reviewed by the appraiser, of the future income and expenses of the real estate assets. Both the rate of return and the discount rate are defined in accordance with local property companies and considering the conditions prevailing in the institutional market, and the reasonableness of the market value thus obtained is tested in terms of initial gain.

The appraisal companies that performed the valuations of the Group's investment property at 31 December 2014 are listed below:

	Appraisal Company
Txingudi shopping centre	Cushman & Wakefield
Las Huertas shopping centre	Cushman & Wakefield
Arturo Soria office building	Jones Lang Lasalle España, S.A.
Single-tenant commercial premises Villaverde	Jones Lang Lasalle España, S.A.
Anec Blau shopping centre	Jones Lang Lasalle España, S.A.
Albacenter shopping centre	Jones Lang Lasalle España, S.A.
Cardenal Marcelo Spinola office building	Cushman & Wakefield
Albacenter hypermarket shopping centre	Jones Lang Lasalle España, S.A.
Single-tenant commercial premises Nuevo Alisal	Jones Lang Lasalle España, S.A.
Egeo building	Jones Lang Lasalle España, S.A.
Eloy Gonzalo building	Cushman & Wakefield
Alovera I logistics bay	Cushman & Wakefield
Alovera II logistics bay	Jones Lang Lasalle España, S.A.

Fees paid by the Group to the appraisal companies for valuations at 31 December 2014 are as follows:

	Thousands of Euros
	2014
Appraisal services	39
	39

The main assumptions used to calculate the fair value of the real estate assets are as follows:

	Net Initial Yield	Discount rate
Shopping centres and single-tenant commercial properties	6.12% - 7.59%	9.2% - 12.18%
Office buildings	5.4% – 5.62%	5.6% – 7.89%
Logistics bays	7.97%	9.29%

The effect on the consolidated assets and the consolidated statement of comprehensive income of a one-quarter percentage point variation in the required rates of return, calculated as the income from the assets divided by their market value, after tax, with respect to investment property, would be as follows:

	Thousands of Euros	
	Consolidated assets	Consolidated statement of comprehensive income
One-quarter point increase in the rate of return	(10,224)	(10,224)
One-quarter point decrease in the rate of return	11,542	11,542

Details of changes in fair value of investment property in the income statement are as follows:

	Thousands of Euros
Shopping centres and single-tenant commercial property	462
Office buildings	(27)
Logistics bays	7
	442

(8) Operating Leases - Lessee

The Parent Company held an operating lease on premises of the hypermarket at the Albacenter shopping centre, which was owned by a third party. On 19 December 2014, the Group company Lar España Shopping Centres, S.A. acquired these premises, and the lease held by Lar España Real Estate SOCIMI, S.A. on these premises was terminated with immediate effect.

Operating lease instalments recognised as an expense in 2014 are as follows:

	Thousands of Euros
	2014
Minimum lease payments (note 24)	32
	32

(9) Operating Leases – Lessor

At 31 December 2014 the Group has leased the shopping centres, office buildings, single-tenant commercial properties and logistics bays to third parties under operating leases.

The occupancy rates of the buildings for lease at 31 December 2014 are as follows:

	Occupancy rate
Shopping centres and single-tenant commercial property	90.20%
Office buildings	83.10%
Logistics bays	91.74%

The revenues and fair value of each asset are detailed in the table below:

	Thousands of Euros													
	Shopping centres							Offices				Logistics bays		
	Txingudi	Huertas	Albacenter	Hiper Albacenter	Anec Blau	Villaverde	Nuevo Alisal	Egeo	Cardenal Marcelo Spinola	Arturo Soria	Eloy Gonzalo	Alovera I	Alovera II	Total
Revenues*	1,888	776	862	15	2,377	331	50	155	321	638	-	449	744	8,606
Fair value	28,500	12,000	29,103	11,788	81,310	9,345	17,007	65,980	19,300	24.690	12,900	12,900	33,171	357,994

* Revenues for the period from the date of acquisition of the asset. The estimated annualised amount is Euros 22,419 thousand.

The lease contracts between the Group and its customers stipulate a fixed rent and, where applicable, a variable rent based on the performance of the tenants' activity.

The accrued revenues shown in the preceding table refer to the rental income from shopping centres single-tenant commercial properties, office buildings and bays accrued from 24 March 2014 to 31 December 2014.

Future minimum payments receivable under non-cancellable operating leases are as follows:

	Thousands of Euros
	2014
Less than one year	23,581
One to five years	34,126
Over five years	19,801
	77,508

(10) Financial Assets by Category

(a) Classification of financial assets by category

The Group's financial assets at 31 December 2014 are security deposits placed with public bodies, trade receivables, receivables from public entities and fixed-term cash deposits. The following table shows a breakdown of these assets at 31 December 2014:

	Thousands of Euros	
	2014	
	Non-current	Current
	Carrying amount	Carrying amount
Loans and receivables		
Security deposits and guarantees	3,841	31,735
Other financial assets	-	297
Trade and other receivables		
Trade receivables (note 12)	-	1,260
Public entities, other (note 21)	-	710
Total	3,841	34,002
Total financial assets	3,841	34,002

The carrying amount of financial assets recognised at cost or amortised cost does not differ significantly from their fair value.

At 31 December 2014, security deposits and guarantees mainly comprise the security deposits and guarantees received from the tenants of the shopping centres mentioned in note 5, which the Group has deposited with the corresponding public bodies (Security deposits and guarantees - non-current) and deposits at financial institutions maturing within less than twelve months after 31 December 2014 (Security deposits and guarantees - current).

Other financial assets (current) reflect accrued interest receivable on current accounts held by the Group. This interest is earned monthly at market rates, and is collected each month in arrears.

(b) Classification of financial assets by maturity

The classification of financial assets by maturity is as follows:

	2014		
	Thousands of Euros		
	Less than 1 year	Indefinite	Total
Security deposits and guarantees	31,735	3,841	35,576
Other financial assets	297	-	297
Trade and other receivables	1,970	-	1,970
	34,002	3,841	37,843

(c) Net losses and gains by category of financial asset

Net losses and gains by category of financial asset are as follows:

	Thousands of Euros	
	2014	
	Loans and receivables	Total
Net finance income at amortised cost	2,391	2,391
Net gains in profit and loss	2,391	2,391
Total	2,391	2,391

(11) Inventories

Inventories reflect parking spaces which the Group acquired during the period for a real estate development project.

This item has a balance of Euros 2,843 thousand for a total of 16 parking spaces.

Details of inventories and movement during the year are as follows:

	Thousands of Euros	
	2014	
	Parking spaces	Total
Carrying amount at 17 January 2014	-	-
Purchases	2,843	2,843
Balance at 31 December 2014	2,843	2,843

(12) Trade and other receivables

Details of trade and other receivables are as follows:

	Thousands of Euros	
	2014	
	Non-current	Current
Operating lease receivables	-	1,385
Operating lease receivables - pending invoices	-	399
Public entities, other (note 21)	-	710
Less, valuation allowance for uncollectibility	-	(524)
Total	-	1,970

(a) Impairment

Movement in impairment and uncollectibility valuation allowances for amounts payable to the Group by the tenants is as follows:

	Thousands of Euros
	2014
Balance at 17 January	-
Impairment during the year	362
Impairment losses (note 24)	217
Reversals of impairment losses (note 24)	(55)
Total	524

Impairment during the year and uncollectibility of amounts payable to the Group by the tenants reflect receivables at zero cost relating to the acquisitions of the investment property in the Txingudi and Las Huertas shopping centres.

(13) Cash and Cash Equivalents

Details of cash and cash equivalents are as follows:

	Thousands of Euros
	2014
Banks	20,252
	20,252

At 31 December 2014 the cash at banks is in demand deposits that are available for use.

(14) Equity

(a) Capital

At 31 December 2014 the share capital of Lar España Real Estate SOCIMI, S.A. amounts to Euros 80,060 thousand represented by 40,030,000 registered shares, represented through book entries, with a par value of Euros 2 each, subscribed and fully paid, all granting the same rights.

All of the shares of the Parent Company, Lar España Real Estate SOCIMI, S.A., are quoted on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges. These shares are freely transferable.

The Parent Company was incorporated on 17 January 2014 with a share capital of Euros 60 thousand represented by 30,000 shares of Euros 2 par value each. On 5 February 2014, Grupo Lar Inversiones Inmobiliarias, S.A., at the time the sole shareholder of Lar España Real Estate SOCIMI, S.A., resolved to increase the latter's share capital by Euros 80,000 thousand, to be carried out through the issue of 40 million ordinary shares with a par value of Euros 2 each. The shares were to be sold via a subscription offer and paid in through a monetary contribution (Subscription offer). The sole shareholder also decided to issue the shares at par value of Euros 2, plus a share premium of Euros 8 per share, for a total issue price of Euros 10 per share.

To offset the difference between the share issue price of the shares subscribed by Grupo Lar Inversiones Inmobiliarias S.A. (Euros 2 per share) and that of the Subscription offer (Euros 10 per share), Grupo Lar Inversiones Inmobiliarias, S.A. decided to increase the equity of Lar España Real Estate, SOCIMI, S.A., without increasing the share capital, by making a monetary contribution to equity of Euros 240 thousand, an amount obtained by multiplying the number of shares subscribed by Grupo Lar Inversiones Inmobiliarias

S.A. when Lar España Real Estate SOCIMI, S.A. was incorporated by the difference between the two share issue prices (Euros 8).

At 31 December 2014 the Parent's main shareholders are as follows:

	2014
Franklin Templeton Institutional, LLC	16.9%
PIMCO Bravo II Fund, L.P.	12.5%
Cohen & Steers, Inc	6.5%
Other shareholders with an interest of less than 5%	64.1%
Total	100%

(b) Share premium

The Revised Spanish Companies Act expressly provides for the use of share premium to increase share capital and does not stipulate any restrictions as to its use.

This reserve is unrestricted provided that the Parent's equity is not reduced to less than its share capital as a result of any distribution.

At 31 December 2014, the Group's share premium stands at Euros 320,000 thousand.

(c) Other reserves

(i) *Legal reserve*

The legal reserve is to be appropriated in compliance with article 274 of the Revised Spanish Companies Act, which requires that companies transfer 10% of profits for the year to a legal reserve until this reserve reaches an amount equal to 20% of share capital.

The legal reserve is not distributable to shareholders and if it is used to offset losses, in the event that no other reserves are available, the reserve must be replenished with future profits.

At 31 December 2014 the Group has not appropriated to this reserve the minimum amount required by the Revised Spanish Companies Act as 2014 is the first year of activity for Lar España Real Estate SOCIMI, S.A. The reserve will be appropriated using the profit for 2014.

Pursuant to Law 11/2009 which governs SOCIMIs, the legal reserve of companies that have opted to avail themselves of the special tax regime provided by this Law may not exceed 20% of their share capital. The articles of association of these companies may not stipulate any restricted reserve other than the legal reserve.

(ii) *Other reserves*

This reserve mainly comprises expenses related to the incorporation of the Parent Company and to the capital increase through a share issue carried out on 5 March 2014 amounting to Euros 9,421 thousand.

(iii) *Treasury shares*

At 31 December 2014 the Group holds shares of the Parent Company amounting to Euros 4,838 thousand. Movement during the period of 11 months and 14 days is as follows:

	Number of shares	Thousands of Euros
17 January 2014	-	-
Additions	719,551	6,562
Disposals	(188,184)	(1,724)
31 December 2014	531,367	4,838

Parent Company treasury shares held by the Group at 31 December 2014 represent 1.3% of share capital, have a total par value of Euros 1,063 thousand, and an acquisition price of Euros 4,838 thousand, with an average acquisition price per share of Euros 9.10. The average selling price of treasury shares was Euros 9.14 per share. Profits from the sale of treasury shares for the period of 11 months and 14 days amounted to Euros 4 thousand and are recognised under other reserves in the consolidated statement of financial position.

(d) Capital management

The Group is essentially self-financing. The Company may resort to market financing through mortgage-backed loans or funding from related parties solely to fund the acquisition of new investments.

The Group manages its capital with the aim of safeguarding its capacity to continue operating as a going concern, so as to continue providing shareholder remuneration and benefiting other stakeholders, while maintaining an optimum capital structure to reduce the cost of capital.

To maintain and adjust the capital structure, the Group can adjust the amount of dividends payable to shareholders, reimburse capital, issue shares or dispose of assets to reduce debt.

Like other groups in the sector, the Group controls its capital structure on a leverage ratio basis. This ratio is calculated as net debt divided by total capital. Net debt is the sum of financial debt less cash and cash equivalents. Total capital is the sum of equity plus net debt.

	Thousands of Euros
Total financial debt	37,822
Less cash and cash equivalents	(20,252)
Net debt	17,570
Equity	389,493
Total capital	407,063
Total financial debt	4.31%

(15) Earnings per share

(a) Basic

Basic earnings per share are calculated by dividing the profit for the year attributable to the ordinary shareholders of the Parent by the weighted average number of ordinary shares outstanding during the period, excluding treasury shares.

Details of the calculation of basic earnings per share are as follows:

	Thousands of Euros 31 December 2014
Profit for the period attributable to equity holders of the Parent Company (thousands of Euros)	3,456
Weighted average number of ordinary shares in circulation (number of shares)	38,276,618
Diluted earnings per share (Euros)	0.09

The weighted average number of ordinary shares outstanding is determined as follows:

	31 December 2014
Ordinary shares (incorporation of the Parent Company)	30,000
Share capital increase	38,390,805
Average effect of treasury shares	(144,187)
Weighted average number of ordinary shares in circulation at 31 December (shares)	38,276,618

(b) Diluted

Diluted earnings per share are calculated by adjusting profit for the year attributable to equity holders of the Parent Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares; that is, as if all potential ordinary shares treated as dilutive had been converted.

The Parent Company does not have different classes of ordinary shares that are potentially dilutive.

(16) Financial Liabilities by Category

(c) Classification of financial liabilities by category

The classification of financial liabilities by category and class is as follows:

	2014	
	Non-current	Current
	Carrying amount	Carrying amount
Loans and borrowings	37,666	156
Debts and payables		
Other financial liabilities - security deposits	5,143	-
Trade and other payables		
Trade payables	-	4,410
Personnel	-	18
Public entities, other	-	269
Total financial liabilities	42,809	4,853

The carrying amount of financial liabilities recognised at cost or amortised cost does not differ from their fair value.

(d) Classification of financial liabilities by maturity

Details by maturity of other non-current financial liabilities and trade and other payables are as follows:

	2014				
	Thousands of Euros				
	Less than 1 year	2 to 4 years	More than 5 years	Indefinite	Total
Loans and borrowings	156	468	37,198	-	37,822
Other financial liabilities - security deposits	-	-	-	5,143	5,143
Trade and other payables	4,697	-	-	-	4,697
Total	4,853	468	37,198	5,143	47,662

(17) Financial Liabilities from Borrowings

(a) Main characteristics of loans and payables

The terms and conditions of loans and payables are as follows:

				Thousands of Euros
				Carrying amount
Rate	Currency	Effective rate	Maturity	Nominal amount
Lar España Offices, S.A.	Euros	EURIBOR 3M + 2% spread	15 December 2019	30,000
Lar España Parque de Medianas, S.A.	Euros	3.02% (until 16 December 2015). Subsequently EURIBOR 3M + spread	16 June 2025	7,822

On 16 December 2014 the Group company Lar España Offices, S.A. acquired the EGEO office building from MEAG MUNICH ERGO Kapitalanlagegesellschaft mbH Spanish branch ("MEAG"), on which there is a mortgage of Euros 30,000 thousand extended by the bank, Westdeutsche ImmobilienBank AG. The novation of the mortgage loan establishes 15 December 2019 as the new maturity date, on which date all the principal must be paid. The interest on the mortgage loan is accrued and paid quarterly at 3-month Euribor plus a spread of 2%.

On 17 December 2014, the Group company Lar España Parque de Medianas, S.A. assumed the mortgage loan that Bankinter had previously extended to Grupo Empresarial Sadisa, S.L. The assumption of this loan is part of the payment for the acquisition of the Nuevo Alisal single-tenant commercial property retail park, which was acquired by Lar España Parque de Medianas from Grupo Empresarial Sadisa, S.L. The principal of the loan amounts to Euros 7,822 thousand. The principal is payable in equal quarterly instalments. Interest is accrued and payable quarterly at a rate of 3.02% until 16 June 2015, when the rate will be changed to 3-month Euribor plus a spread. The mortgage loan matures on 16 June 2025. The mortgage loan is guaranteed by the asset purchased.

At 31 December 2014 the effective interest rate on borrowings is 2.44%.

(18) Other non-current financial liabilities

Other non-current financial liabilities at 31 December 2014 reflect Euros 5,143 thousand that comprise security deposits delivered to the Group by the various tenants of the commercial premises located in its properties. This amount generally represents two months' rent, which is reimbursed at the end of the contract term.

(19) Trade and Other Payables

Details of trade and other payables are as follows:

	Thousands of Euros
	2014
Trade payables	3,544
Trade payables, related parties (note 28)	866
Salaries payable	18
Public entities, other (note 21)	269
	4,697

(20) Late Payments to Suppliers. "Reporting Requirement". Third Additional Provision of Law 15/2010 of 5 July 2010

Details of late payments to suppliers by consolidated companies are as follows:

	Thousands of euros	
	Payments made and outstanding at the reporting date	
	2014	
	Amount	%
Within the maximum legal period	370,774	99.77%
Other	861	0.23%
Total payments for the period	371,635	100%
Weighted average payment days	31	-
Weighted average late payment days	29	-
Late payments exceeding the maximum legal period at the reporting date	147	24.78%

Late payments exceeding the maximum legal period at the reporting date (147 thousand euros) as well as the indicated percentage (24.78%) refer to invoices for current transactions received by the Group and pending payment at December 31 2014, with a maturity of more than 60 days, excluding from the calculation provisions for invoices to be received. These invoices for current transactions pending payment (147 thousand euros) represent a 0.04% of the total payments for the year (371,635 thousand euros) made by the Group for the period of 11 months and 14 days ended on December 31 2014.

The amount registered as "Late payments exceeding the maximum legal period at the reporting date" (147 thousand euros) represents 3.33% of the total "Trade and other payables" (4,410 thousand euros excluding balances with the Public Administrations) at December 31, 2014.

The payments to suppliers reflected in the above table are trade payables as they relate to goods and services, and therefore include the trade payables recognised under current liabilities in the statement of financial position.

Weighted average payment days were calculated by dividing the sum of the products of each payment to suppliers made between 25 December 2014 and 31 December 2014 (6 days) within the legal period and the payment days for each payment, by the total amount paid between 25 December 2014 and 31 December 2014 (6 days) within the legal period.

Weighted average late payment days were calculated by dividing the sum of the products of each payment to suppliers made during the year exceeding the legal payment period and the corresponding number of days exceeded, by the total amount of payments made during the year exceeding the legal payment period.

The maximum legal payment period under Law 3/2004 of 29 December 2004, containing measures to combat late payments in commercial transactions, is 30 days. This period may be extended by mutual consent between the parties but in no event may a period exceeding 60 calendar days be agreed.

(21) Public Entities and Taxation

(a) Current balances with public entities

Receivables

	Thousands of Euros
	31 December 2014
Taxation authorities, VAT recoverable	251
Taxation authorities, other withholdings	459
	710

Payables

	Thousands of Euros
	31 December 2014
Taxation authorities, VAT payable	193
Taxation authorities, personal income tax withholdings payable	72
Social Security contributions payable	4
	269

(b) Reconciliation of accounting profit and taxable income

At 31 December 2014 the Group's tax base has been calculated on the basis of the accounting profit for the year plus those expenses derived from the incorporation of the Parent Company and its share capital increase that have been recognised directly in equity, the effect of the changes in fair value of investment property and the temporary differences due to the limitations in place. At the reporting date of the consolidated financial statements, the Group has not recognised the corresponding deferred tax assets.

	Thousands of Euros
Profit before tax from continuing operations	3,456
Permanent differences	(10,730)
Temporary differences - Measurement of investment property	(442)
Temporary differences - Others	443
Taxable income (tax loss)	(7,273)
Tax payable (30%)	-
Tax payable (0%)	-
Income tax expense/(tax income)	-

In accordance with the SOCIMI regime, the Parent Company's directors do not expect any asset to be sold before the three-year time limit expires, which is the reason the deferred tax liabilities for the increase in value (IAS 40) have been calculated at 0%.

(c) Years open to inspection and tax inspections

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the inspection period of four years has elapsed. At the 2014 reporting date the Group has open to inspection by the taxation authorities all the main applicable taxes since its incorporation. The Parent Company's directors consider that the aforementioned taxes have been adequately settled and, consequently, even if discrepancies were to arise in the interpretation of prevailing standards with respect to the tax treatment of operations, the accompanying consolidated financial statements would not be significantly affected by any resulting liabilities.

(d) Reporting requirements for SOCIMIs pursuant to Law 11/2009 amended by Law 16/2012

	2014
a) Reserves from years prior to the application of the tax regime provided in Law 11/2009, amended by Law 16/2012 of 27 December 2012.	-
b) Reserves for each year in which the special tax regime provided by that Law is applicable	Proposed 2014 profits distribution to reserve: Euros 166 thousand to legal reserve and Euros 167 thousand to voluntary reserve.
a. Profits from income subject to the general income tax rate	-
b. Profits from income subject to a tax rate of 19%	-
c. Profits from income subject to a tax rate of 0%	Proposed 2014 profits distribution to reserve: Euros 166 thousand to legal reserve and Euros 167 thousand to voluntary reserve.
c) Dividends distributed with a charge to profits for each year in which the tax regime provided by this Law is applicable	Proposed dividend distribution for 2014: Euros 1,331 thousand
a. Dividends from income subject to the general income tax rate	-
b. Dividends from income subject to a tax rate of 18% (2009) and 19% (2010 to 2012)	-
c. Dividends from income subject to a tax rate of 0%	Proposed dividend distribution for 2014: Euros 1,331 thousand
d) Dividends distributed charged to reserves,	-
a. Distribution charged to reserves subject to the general income tax rate	-
b. Distribution charged to reserves subject to a tax rate of 19%	-
c. Distribution charged to reserves subject to a tax rate of 0%	-
e) Date on which distribution was agreed of dividends referred to in c) and d) above	2014 dividends: Pending AGM
f) Date of acquisition of properties for lease that generate income subject to this special regime	Txingudi shopping centre: 24 March 2014 Las Huertas shopping centre: 24 March 2014 Arturo Soria office building: 29 July 2014 Single-tenant commercial premises Villaverde: 29 July 2014 Albacenter shopping centre: 30 July 2014 Anec Blau shopping centre: 31 July 2014 Cardenal Marcelo Spinola office building: 31 July 2014

g) Date of acquisition of shares in the capital of the entities referred to by article 2.1 of the above Law.	LAR España Inversión Logística, S.A.: 23 July 2014 Riverton Gestión, S.L.U.: 18 December 2014 LAR España Shopping Centres, S.A.: 4 November 2014 LAR España Offices, S.A.: 4 November 2014 LAR España Parque de Medianas, S.A.: 4 November 2014 Global Noctua, S.L.: 18 December 2014
h) Identification of the asset included in the 80% mentioned in article 3.1 of this Law	- Investment property: Txingudi shopping centre Las Huertas shopping centre Arturo Soria office building Single-tenant commercial premises Villaverde Albacenter shopping centre Anec Blau shopping centre Cardenal Marcelo Spinola office building - Capital investments: LAR España Inversión Logística, S.A. Riverton Gestión, S.L.U. LAR España Shopping Centres, S.A. LAR España Offices, S.A. LAR España Parque de Medianas, S.A. Global Noctua, S.L.
i) Reserves from years in which the special tax regime provided in this Law is applicable that have been applied in the tax period other than for the distribution thereof or to offset losses. The year from which these reserves have been taken should be specified.	

(22) Risk Management Policy

(a) Financial risk factors

The Group's activities are exposed to various financial risks: market risk, credit risk, liquidity risk and interest rate risk in cash flows. The Group's global risk management programme focuses on uncertainty in the financial markets and aims to minimise the potential adverse effects on the Group's profits.

The senior management of the Group manages risks in accordance with policies approved by the board of directors. Senior management identifies, evaluates and mitigates financial risks in close collaboration with the Group's operational units. The board of directors issues global risk management policies in writing, as well as policies for specific issues such as market risk, interest rate risk, liquidity risk and investments of cash surpluses.

(i) *Market risk*

In light of current conditions in the property sector, the Group has established specific measures that it plans to adopt to minimise their impact on its financial position.

The application of these measures is dependent on the outcome of the sensitivity analyses that the Group performs periodically. These analyses take the following factors into consideration:

- The economic environment in which the Group performs its activity: The design of various economic scenarios with different key variables that can affect the Group (interest rates, share price, occupancy rates of investment property, etc.). The identification of variables that are interconnected and their degree of connection.
- Time frame within which the assessment is made: The time frame for the analysis and the potential deviations should be taken into account.

(ii) *Credit risk*

Defined as the risk of financial loss for the Group if a customer or counterparty fails to discharge its contractual obligations.

The Group is not significantly exposed to credit risk. The Group has policies in place to limit customer credit risk and it manages its exposure to credit recovery risk as part of its normal activities.

The Group has formal procedures in place to detect impairment of trade receivables. By means of these procedures and the individual analysis by business area, delays in payment can be detected and methods for estimating the impairment loss can be established.

The maximum exposure to credit risk for loans and other receivables at the reporting date of the consolidated statement of financial position is as follows:

	In thousands of Euros	
	Note	2014
Security deposits and guarantees	10	35,873
Trade and other receivables	12	1,970
Cash and cash equivalents	13	20,252
		58,095

Group policy for impairment of trade receivables stipulates that a provision must be made for debts of over 90 days for the full amount outstanding, minus any security deposits and guarantees pledged by the debtor.

	Thousands of Euros				
	2014				
	Not past due	Less than 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Total
Trade and other receivables	399	726	135	710	1,970
Total assets	399	726	135	710	1,970

At 31 December 2014, the Group has recognised impairment on all trade receivables at risk of default covering the maximum exposure at risk. Impairment of receivables by geographical region representing the Group's activities is as follows:

	Thousands of Euros
	2014
Basque Country	342
Castile and Leon	99
Catalonia	64
Castile La Mancha	19
	524

Cash and cash equivalents

The Group has cash and cash equivalents totalling Euros 20,252 thousand, which represents its maximum exposure to risk associated with these assets.

Cash and cash equivalents are held at banks and financial institutions.

(iii) *Liquidity risk*

Defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group applies a prudent policy to cover its liquidity risks based on having sufficient liquidity to meet its obligations when they fall due in both normal and stressed conditions, without incurring unacceptable losses or placing the Group's reputation at risk.

The Group's exposure to liquidity risk at 31 December 2014 is detailed below. The following tables show the analysis of financial liabilities by remaining contractual maturity dates.

	2014					
	Thousands of Euros					
	Less than 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Indefinite	Total
Loans and borrowings	-	39	117	37,666	-	37,822
Other non-current liabilities - security deposits	-	-	-	-	5,143	5,143
Trade and other payables (excluding balances payable to public entities)	701	3,727	-	-	-	4,428
Total	701	3,766	117	37,666	5,143	47,393

(iv) *Cash flow and fair value interest rate risks*

At 31 December 2014 the Group holds short-term fixed-rate financial assets (deposits) to generate a return on cash surpluses not invested in investment property. Fixed-rate financial assets are for the most part independent of market interest rate fluctuations.

At the reporting date, income and cash flows from the Group's operating activities are not significantly affected by fluctuations in market interest rates.

(v) *Tax risk*

As mentioned in note 4(c), the Parent Company and subsidiaries have availed of the special tax regime for SOCIMIs. Pursuant to article 6 of Law 11/2009 of 26 October 2009, amended by Law 16/2012 of 27 December 2012, SOCIMIs adopting the special tax regime are required to distribute profit for the period as dividends to shareholders, after settling all corresponding trading obligations. The dividend distribution must be agreed within six months after each period end and the dividend paid within one month from the date of the agreement (note 4(e)).

Should the shareholders of the companies not approve the dividend distribution proposed by the board of directors, calculated in accordance with the requirements set forth in the aforementioned law, the companies would be in breach of said law and, consequently, would have to file their tax returns under the general tax regime rather than that applicable to SOCIMIs.

(23) Revenue

Details of revenue are presented in note 6, in conjunction with segment reporting.

(24) Other Expenses

Details of other expenses are as follows:

	Thousands of Euros 2014
Operating lease expenses	32
Independent professional services	5,357
Insurance premiums	139
Bank fees and commissions	6
Advertising and publicity	241
Taxes	582
Impairment losses and uncollectibility of trade and other receivables (see note 12)	162
Remuneration of the Board of Directors*	260
Other expenses	452
	7,231

(25) Employee Benefits Expense

Details of employee benefits expense at 31 December 2014 are as follows:

	Thousands of Euros 2014
Salaries and wages	93
Other benefits and taxes	15
	108

(26) Finance Income and Finance Costs

Details of finance income and finance costs are as follows:

	Thousands of Euros 2014
Finance income from other financial assets at amortised cost	2,391
Finance costs – Mortgage loans	(519)
Total finance income	1,872

(27) Profit for the Period

Each company's contribution to consolidated profit for the period is as follows:

	Thousands of Euros
	2014
LAR ESPAÑA REAL ESTATE SOCIMI, S.A.	3,602
LAR ESPAÑA INVERSION LOGISTICA, S.A.	1,071
LAR ESPAÑA SHOPPING CENTRES, S.A.	(111)
LAR ESPAÑA OFFICES, S.A.	(171)
LAR ESPAÑA PARQUE DE MEDIANAS, S.A.	(530)
RIVERTON GESTIÓN, S.L.	(60)
GLOBAL NOCTUA, S.L.	(3)
PUERTA MARÍTIMA ONDARA, S.L.	(342)
LAVERNIA INVESTMENTS, S.L.	-
Profit before income tax	3,456
Income tax	-
Profit after income tax	3,456

(28) Related Party Balances and Transactions

(a) Related party transactions and balances

On 12 February 2014, Grupo Lar Inversiones Inmobiliarias, S.A. and Lar España Real Estate SOCIMI, S.A. signed an investment management agreement for the rendering of management services by Grupo Lar Inversiones Inmobiliarias, S.A., including, among others, the acquisition and management of property assets on behalf of the Parent Company and financial management. Under this agreement fixed fees are accrued based on a percentage of the fair value (EPRA NAV) of the investments made plus variable fees based on the profitability of the management services.

These services are recognised as other operating expenses in the consolidated statement of comprehensive income. At 31 December 2014 fee expenses amount to Euros 2,083 thousand and the thresholds for the agreed variable remuneration have not been met.

At 31 December 2014, the Group has a balance payable for this item totalling Euros 771 thousand.

The Group has also signed a contract with a related company, Gentalia 2006, S.L., (an investee of Grupo Lar Inversiones Inmobiliarias, S.A.) for the provision of services related to the management and administration of the properties. At 31 December 2014 the related expense amounts to Euros 288 thousand (of which Euros 95 thousand is outstanding at 31 December 2014).

(b) Information on the Parent Company's board of directors and senior management personnel of the Group

The remuneration received by the members of the board of directors and senior management personnel of the Group during 2014, classified by item, is as follows:

	Thousands of Euros	
	2014	
	Salaries	Allowances
Board of directors	-	260*
Senior management personnel	93	-

* Allowances for the board of directors include Euros 50 thousand for the non-executive secretary of the board of directors.

At 31 December 2014 the Group has no pension or life insurance obligations with former or current members of the board of directors or senior management personnel of the Parent Company.

At 31 December 2014 no advances or loans have been extended to members of the board or senior management.

(c) Transactions other than ordinary business or under terms differing from market conditions carried out by the directors of the Parent and members of its supervisory board

Apart from the transactions with related parties listed above, in 2014 the directors of the Parent Company and members of its steering committee have not carried out any transactions other than ordinary business or applying terms that differ from market conditions with the Parent Company or any other Group company.

(d) Investments and positions held by the directors and their related parties in other companies

The directors of the Parent Company and their related parties have had no conflicts of interest requiring disclosure in accordance with article 229 of the Revised Spanish Companies Act.

Nothwithstanding the above, it is informed that the board member Mr. Miguel Pereda Espeso holds the following positions in other companies.

i) Board member of Grupo Lar Inversiones Inmobiliarias S.A. (managing company of the Company). This situation of potential conflict of interest was saved at the time being sole shareholder of the company by the appointment of Miguel Pereda as board member of Lar España Real Estate SOCIMI, S.A. on 5 February 2014.

ii) President of the board of Villamagna, S.A.

iii) Chief Executive Officer of Fomento del Entorno Natural, S.L. in which he is as well shareholder (holding property of 13,85% of the shares).

iv) Positions in affiliated companies of Grupo Lar Inversiones Inmobiliarias S.A. as indicated below:

Company	Position/Role	Number of Shares	Percentage of Participation
Grupo Lar Terciario, S.L.	Individual representing the president of the board of directors of Global Byzas S.L.	N/A	N/A
Inmobérica De Gestión, S.L	Sole Administrator	N/A	N/A
Grupo Lar Actividad Arrendamiento, S.A.	President and several and joint Chief Executive Officer of the board of directors	N/A	N/A
Grupo Lar Senior, S.L.	Individual representing the president of the board of directors of Desarrollos Ibéricos Lar, S.L. (previously Grupo Lar Desarrollos de Oficinas S.L.)	N/A	N/A
Grupo Lar Europa Del Este, S.L.	Individual representing the secretary of Global Byzas S.L.	N/A	N/A
Grupo Lar Actividad Residencial, S.L.	Individual representing the president of the board of directors of Global Byzas S.L.	N/A	N/A
Parque Comercial Cruce De Caminos, S.L.	Individual representing the joint and several director of Grupo Lar, S.L.	N/A	N/A
Parque Castilleja, S.L.	Individual representing the president of the board of directors of Global Caronte S.L. and the director Global Byzas S.L.	N/A	N/A
Grupo Lar Grosvenor Servicios Dos, S.L.	Individual representing the sole administrator of Grupo Lar Terciario S.L.	N/A	N/A

(29) Employee Information

The average headcount of the Group for the period ended 31 December 2014, distributed by category, is as follows:

	2014
Professional category	
Senior management personnel	2
Board members	5
Total	7

The distribution of Group personnel by gender at 31 December 2014 is as follows:

	Number 2014 Female	Number 2014 Male
Senior management personnel	1	2
Board members	-	5
Total	1	7

At 26 June 2014 the Group hired two male employees to fill senior management positions. In November a female employee was hired for one senior management position. The expense associated with these employees at 31 December 2014 is Euros 108 thousand.

(30) Audit Fees

At 31 December the Group recognised the following fees for audit services and other related services provided to the Group by Deloitte, S.L.

	Thousands of Euros 31 December 2014
Audit-related services	
Audit at 24 January 2014	4
Audit at 31 December 2014	90
Other audit-related services	458
Other services	12
Total	564

Other audit-related services include services rendered for the Company's share capital increase and IPO as well as due diligence work related to asset purchases.

(31) Events after the Reporting Period

On 30 January 2015, the Parent Company signed the acquisition, through two jointly owned companies split 50/50 with the Luxembourg-based company LVS II LUX XIII S.à.r.l., whose investment advisor is Pacific Investment Management Company LLC or its subsidiaries ("PIMCO"), of the following property assets located in a prime neighbourhood in the city of Madrid:

(i) Terrain at Juan Bravo 3 Street to be used for residential development, with a total buildable area of 26,203 sqm, of which the buildable area above ground, according to the special urban plan, is 19,453 sqm with 6,750 sqm spread over three floors below ground.

(ii) The residential property located at Claudio Coello 108 Street, which has a total built area of 5,318 sqm, of which 4,479 sqm is above ground and 839 sqm below ground, and which is occupied on a rental basis.

In addition, on 12 February 2015 Morgan Stanley & Co. International plc (“Morgan Stanley”), as authorised in the mandate granted by Lar España Real Estate SOCIMI, S.A., successfully completed the prospection process aimed solely at qualified investors for a secured senior bond placement (the “bonds”) to be issued by the Parent Company for a total amount of Euros 140,000 thousand, maturing on 21 February 2022. In accordance with the bond agreement (the “issue”) adopted by the Parent Company's board of directors, the bonds will be issued at par with a face value of Euros 100 thousand and an annual coupon rate of 2.90%.

The bonds are listed on the regulated Main Securities Market of the Irish Stock Exchange.

(32) Explanation added for translation to English

These consolidated annual accounts are presented on the basis of the regulatory financial reporting framework applicable to the Group (see Note 2.a). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Appendix I

a) Subsidiaries

Company	Registered office	Activity	Auditor	Type of entity	% ownership Direct	% ownership Total	Thousand Euros Share capital	Thousand Euros Profit/(loss)	Thousand Euros Other equity	Thousand Euros Carrying amount of investment
LAR ESPAÑA INVERSIÓN LOGÍSTICA, S.A.	Rosario Pino 14-16; Madrid	The acquisition and development of urban properties for lease	-	Subsidiary	100%	100%	60	840	45,149	45,209
LAR ESPAÑA SHOPPING CENTRES, S.A.	Rosario Pino 14-16; Madrid	The acquisition and development of urban properties for lease	-	Subsidiary	100%	100%	60	(79)	12,000	12,060
LAR ESPAÑA PARQUE DE MEDIANAS, S.A.	Rosario Pino 14-16; Madrid	The acquisition and development of properties for lease	-	Subsidiary	100%	100%	60	(205)	10,500	10,560
LAR ESPAÑA OFFICES, S.A.	Rosario Pino 14-16; Madrid	The acquisition and development of properties for lease	-	Subsidiary	100%	100%	60	(304)	35,200	35,260
RIVERTON GESTIÓN, S.L.	Rosario Pino 14-16; Madrid	The acquisition and development of properties for lease	-	Subsidiary	100%	100%	3	(40)	13,000	13,003
GLOBAL NOCTUA, S.L.	Rosario Pino 14-16; Madrid	The acquisition and development of properties for lease	-	Subsidiary	100%	100%	4	(3)	-	4

b) Joint venture

Company	Registered office	Activity	Auditor	Type of entity	% ownership Direct	% ownership Total	Thousand Euros Share capital	Thousand Euros Profit/(loss)	Thousand Euros Other equity	Thousand Euros Carrying amount of investment
PUERTA MARÍTIMA ONDARA, S.L.	Rosario Pino 14-16; Madrid	The acquisition and development of properties for lease	Deloitte	Associate	58.78%	58.78%	27,240	(308)	3,366	18,425
LAVERNIA INVESTMENTS, SL	Rosario Pino 14-16; Madrid	The acquisition and development of properties for lease	-	Associate	50%	50%	3	(5)	10	4