LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Financial Statements for the period of eleven months and fourteen days ended 31 December 2014 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 financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 25). 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 financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 25). In the event of a discrepancy, the Spanish-language version prevails.

AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Report on the Financial Statements

We have audited the accompanying financial statements of LAR ESPAÑA REAL ESTATE SOCIMI, S.A., which comprise the balance sheet as at 31 December 2014, and the income statement, statement of changes in equity, statement of cash flows and notes to the financial statements for the period of eleven months and fourteen days then ended.

Directors' Responsibility for the Financial Statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the equity, financial position and results of LAR ESPAÑA REAL ESTATE SOCIMI, S.A. in accordance with the regulatory financial reporting framework applicable to the Company in Spain (identified in Note 2-b to the accompanying financial statements) and for such internal control as the directors determine is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the 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 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 financial statements present fairly, in all material respects, the equity and financial position of LAR ESPAÑA REAL ESTATE SOCIMI, S.A. as at 31 December 2014, and its results and its cash flows for the period of eleven months and fourteen days then ended in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein.

Report on Other Legal and Regulatory Requirements

The accompanying directors' report for the period of eleven months and fourteen days ended 31 December 2014 contains the explanations which the directors consider appropriate about the Company's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for the period of 11 months and 14 days ended 31 December 2014. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the Company's accounting records.

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

Antonio Sánchez-Covisa Martín-González

25 February 2015

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Annual Accounts and Directors' Report
for the period of 11 months and 14 days ended 31 December 2014

Prepared in accordance with Royal Decree 1514/2007, of 16 November 2007, as amended by Royal Decree 1159/2010, of 17 September 2010, approving the Spanish General Chart of Accounts

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Annual Accounts and Directors' Report
for the period of 11 months and 14 days ended 31 December 2014

Prepared in accordance with Royal Decree 1514/2007, of 16 November 2007, as amended by Royal Decree 1159/2010, of 17 September 2010, approving the Spanish General Chart of Accounts

CONTENTS

Balance Sheet at 31 December 2014
(Expressed in thousands of Euros)

(Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 25). In the event of a discrepancy, the Spanish-language version prevails.)

Assets	Note	2014
Investment property		202,310
Land	5	80,456
Buildings	5	121,854
Non-current investments in Group companies and associates		134,525
Equity instruments	9	134,525
Non-current investments		2,409
Other financial assets	10	2,409
Total non-current		339,244
Inventories		3,102
Goods for resale	11	2,843
Advances	11	259
Trade and other receivables		1,870
Trade receivables	10.12	1,170
Public entities, other	10.12	700
Current investments		32,066
Other financial assets	10	32,066
Prepayments for current assets		95
Cash and cash equivalents		17,467
Cash	8.13	17,467
Total current assets		54,600
Total assets		393,844

Notes 1 to 25 and Appendix I thereto form an integral part of the balance sheet at 31 December 2014.

Balance Sheet at 31 December 2014
(Expressed in thousands of Euros)

(Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 25). In the event of a discrepancy, the Spanish-language version prevails.)

Equity and Liabilities	Note	2014
Capital and reserves		
Capital		80,060
Share capital	14a	80,060
Share premium	14b	320,000
Reserves		(9,425)
Other reserves	14c	(9,425)
(Treasury shares and equity holdings)	14c	(4,838)
Other shareholder contributions	14a	240
Profit for the year		1,664
Total equity		387,701
Non-current payables		3,603
Other financial liabilities	15.16	3,603
Total non-current liabilities		3,603
Trade and other payables		2,540
Current suppliers, related parties	15a, 17	866
Other payables	15a, 17	1,578
Personnel *(salaries payable)*	15a, 17	18
Public entities, other	15a, 17, 19	78
Total current liabilities		2,540
Total equity and liabilities		393,844

Notes 1 to 25 and Appendix I thereto form an integral part of the balance sheet at 31 December 2014.

Income Statement for the period of 11 months and 14 days ended 31 December 2014
(Expressed in thousands of Euros)

(Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 25). In the event of a discrepancy, the Spanish-language version prevails.)

	Note	2014
Continuing operations		
Revenues		7,207
Sales	21a	7,207
Other operating income		217
Non-trading and other operating income		217
Personnel expenses		(108)
Salaries and wages	21b	(93)
Employee benefits expense	21b	(15)
Other operating expenses		(6,824)
External services	21c	(6,441)
Taxes	21c	(221)
Losses, impairment and changes in trade provisions	21c	(162)
Amortisation and depreciation	5	(1,219)
Results from operating activities		(727)
Finance income		2,391
Marketable securities and other financial instruments		2,391
Other	10c	2,391
Net finance income		2,391
Profit before income tax		1,664
Income tax expense	19a	-
Profit from continuing operations		1,664
Profit for the year		1,664

Notes 1 to 25 and Appendix I thereto form an integral part of the income statement for the period of 11 months and 14 days ended 31 December 2014.

Statement of Comprehensive Income for the period of 11 months and 14 days ended 31 December 2014
(Expressed in thousands of Euros)

(Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 25). In the event of a discrepancy, the Spanish-language version prevails.)

	2014
Profit for the year	1,664
Total income and expense recognised directly in equity	-
Total amounts transferred to the income statement	-
Total recognised income and expense	1,664

Notes 1 to 25 and Appendix I thereto form an integral part of the statement of recognised income and expense for the period of 11 months and 14 days ended 31 December 2014.

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

(Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 25). In the event of a discrepancy, the Spanish-language version prevails.)

	Registered capital	Share premium	Reserves	Treasury shares and equity holdings	Other shareholder contributions	Profit for the year	Interim dividend	Total
Company incorporation on 17 January 2014	60	-	(2)	-	-	-	-	58
Recognised income and expense	-	-	-	-	-	1,664	-	1,664
Transactions with equity holders or owners								
Capital increases	80,000	320,000	(9,419)	-	240	-	-	390,821
Treasury shares	-	-	(4)	(4,838)	-	-	-	(4,842)
Balance at 31 December 2014	80,060	320,000	(9,425)	(4,838)	240	1,664	-	387,701

Notes 1 to 25 and Appendix I thereto form an integral part of the statement of total changes in equity for the period of 11 months and 14 days ended 31 December 2014.

Statement of Cash Flows for the period of 11 months and 14 days ended 31 December 2014
(Expressed in thousands of Euros)

(Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 25). In the event of a discrepancy, the Spanish-language version prevails.)

	Note	2014
Cash flows from operating activities		
Profit for the period before tax		1,664
Adjustments for:		(1,010)
Amortisation and depreciation (+)		1,219
Impairment (+/-)		162
Finance income (-)	10c	(2,391)
Changes in operating assets and liabilities		914
Inventories (+/-)		(3,102)
Trade and other receivables (+/-)		(2,032)
Trade and other payables (+/-)		2,540
Other current assets (+/-)		(95)
Other non-current assets and liabilities (+/-)		3,603
Other cash flows from operating activities		2,094
Interest received (+)		2,094
Cash flows from operating activities		3,662
Cash flows from investing activities		
Payments for investments (-)		(372,232)
Group companies and associates		(134,525)
Investment property		(203,529)
Other financial assets		(34,178)
Cash flows used in investing activities		(372,232)
Cash flows from financing activities		
Proceeds from and payments for equity instruments		386,037
Issue of equity instruments		390,879
Proceeds from/(Payments for) the sale and purchase of treasury shares		(4,842)
Cash flows from financing activities		386,037
Net increase in cash and cash equivalents		17,467
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at period end		17,467

Notes 1 to 25 and Appendix I form an integral part of the statement of cash flows for the period of 11 months and 14 days ended 31 December 2014.

Notes to the annual accounts for the period of 11 months and 14 days ended 31 December 2014

(Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 25). In the event of a discrepancy, the Spanish-language version prevails.)

(1) Nature, Activities of the Company and Composition of the Group

Lar España Real Estate SOCIMI, S.A. (hereinafter the 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 Company's statutory activity consists of the following:

1. The acquisition and development of urban properties for lease.

2. 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.

3. The holding of investments in the share 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.

4. 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.

5. 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 percent of the total earnings of the Company in each tax period or those which can be considered complementary pursuant to prevailing legislation.

The principal activity of Lar España Real Estate SOCIMI, S.A. consists mainly of the acquisition and management of shopping centres and offices. However, it 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 Exchange and the Spanish automated quotation system since 5 March 2014.
As the parent of the Group, Lar España Real Estate SOCIMI, S.A. 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 complying with 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 Company'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 calculation purposes. The period shall be calculated as follows:

   a) For properties included in the Company'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 were 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 put up 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 Company'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 Company 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 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:

1. Flexible criteria for acquiring and maintaining properties: there is no lower limit regarding the number of properties that may be contributed when incorporating 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 company's balance sheet for seven years, but only for at least three years.

2. 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.

3. 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.

4. 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 who 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 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.

As explained in note 9 the Company holds investments in subsidiaries and associates. Consequently, in accordance with prevailing legislation, the Company is the parent of a group of companies. In accordance with generally accepted accounting principles in Spain, consolidated annual accounts must be prepared to present fairly the financial position of the Group, the results of operations and changes in its equity and cash flows. Details of investments in Group companies and associates are included in Appendix I.

On 24 February 2015 the directors prepared the consolidated annual accounts of Lar España Real Estate SOCIMI, S.A. and subsidiaries for 2014, which show a consolidated profit of Euros 3,456 thousand and consolidated equity of Euros 389,493 thousand

(2) Basis of Presentation

(a) Fair presentation

The accompanying 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 in accordance with prevailing legislation and the Spanish General Chart of Accounts to present fairly the equity and financial position at 31 December 2014 and results of operations, changes in equity, and cash flows for the period of 11 months and 14 days then ended.

The directors consider that the annual accounts for 2014, authorised for issue on 24 February 2015, will be approved with no changes by the shareholders at their annual general meeting.

(b) Financial information reporting framework applicable to the Company

These annual accounts have been prepared by the directors within the financial information framework applicable to the Company established in the following:

1. The Spanish Code of Commerce and related mercantile legislation.

2. The Spanish General Chart of Accounts approved by Royal Decree 1514/2007 and sector adaptations.

3. Mandatory standards approved by the Spanish Accounting and Auditing Institute (ICAC) in drafting the Spanish General Chart of Accounts and its supplementary standards.

4. Law 11/2009 of 26 October 2009, as amended by Law 16/2012 of 27 December 2012, which governs SOCIMIs.

5. All other applicable Spanish accounting principles.

(c) Comparative information

As explained in note 1, the Company was incorporated on 17 January 2014 and, therefore, the reporting period is from 17 January 2014 to 31 December 2014. Since this is the Company's first year of activity, the directors have not included comparative figures in the balance sheet, income statement, statement of changes in equity, statement of cash flows, or the notes thereto.

(d) Functional and presentation currency

The figures disclosed in the annual accounts are expressed in thousands of Euros, the Company's functional and presentation currency, rounded off to the nearest thousand.

(e) Critical issues regarding the valuation and estimation of relevant uncertainties and judgements used when applying accounting principles

Relevant accounting estimates and judgements and other estimates and assumptions have to be made when applying the Company's accounting principles to prepare the annual accounts. 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 annual accounts, is as follows:

(i) Relevant accounting estimates and assumptions

1. 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 management (note 12a).

2. Assessment of provisions and contingencies.

3. Financial risk management.

4. Evaluation of possible impairment losses on certain assets (notes 4b and 4d).
5. Market value of certain financial instruments (note 4d).

6. The useful life of property, plant and equipment and investment property (notes 4a and 4b).

(ii) Changes in accounting estimates

Although estimates are calculated by the Company's directors based on the best information available at 31 December 2014, future events may require changes to these estimates in subsequent years. Any effect on the annual accounts of adjustments to be made in subsequent years would be recognised prospectively.

(3) Distribution of Profit

The proposed distribution of profit for the period ended 31 December 2014 and other reserves to be submitted to the shareholders for approval at the 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) Significant Accounting Policies

These notes to the annual accounts for the period of 11 months and 14 days ended 31 December 2014 have been prepared applying the recognition and measurement criteria laid down in the Spanish General Chart of Accounts approved by Royal Decree 1514/2007 of 16 November 2007, amended by Royal Decree 1159/2010 of 17 September 2010.

(a) Investment property

Investment property comprises property, including that which is under construction or being developed, 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 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. Company management does not plan to dispose of these assets in the foreseeable future and has therefore decided to maintain these assets in the balance sheet as investment property.

These assets are initially booked at cost of acquisition or production and are subsequently carried at cost less accumulated depreciation and any impairment.

Repair and maintenance costs incurred on the different items that make up investment property are charged to the income statement in the period in which they are incurred. Conversely, investments in improvements that help to increase the capacity or efficiency of the assets or extend their useful life are recognised as an increase in the cost of the assets.

Expenses capitalised in relation to assets that will not be available for use for more than one year include borrowing costs charged by the supplier or associated with loans or other specific external financing, and which are directly attributable to the acquisition of the assets.

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

The Company reclassifies investment property to inventories when it commences construction work to substantially alter the property with a view to selling it.

The Company reclassifies property, plant and equipment to investment property when it ceases to use the building in the production or supply of goods or services, for administrative purposes or when it is held to earn rentals or for capital appreciation or both.

The Company reclassifies inventories to investment property when the property is leased under an operating lease.

Investment property is depreciated applying the following policies:

	Depreciation method	Estimated years of useful life
Buildings	Straight-line	50
Improvements to commercial premises	Straight-line	Term of rental agreement with tenant

Assets under construction earmarked for rental, or for other purposes as yet undefined, are recognised at cost, less any impairment. As with other investment property, depreciation of these assets commences when the assets are ready for their intended use.

(i) Impairment of investment property

The Company evaluates whether there are indications of possible impairment losses on non-financial assets subject to amortisation or depreciation to determine whether the carrying amount of these assets exceeds the recoverable amount.

The recoverable amount is the higher of fair value less costs to sell and the value in use. Value in use is the present value of the future cash flows expected to be obtained through use of the asset in the ordinary course of business and, where applicable, its disposal, taking into consideration its present state, discounted at a risk-free market interest rate, adjusted for any risks specific to the asset for which the estimated future cash flows have not been adjusted.

When determining the fair value of its investment property, the Company commissions independent appraisers not related to the Company to appraise properties classified as investment property. These appraisals are carried out at 30 June and 31 December of each year (note 5). Buildings are measured individually taking into consideration each of the rental contracts in force at the appraisal date. Buildings with areas that have not been rented out have been measured based on estimated future rents, minus a marketing period.

When determining the value in use of investment property, the amount the Company expects to recover through the lease is taken into account. To this end, projections of the cash flows to be derived from the lease instalments are considered, based on the best estimate, applying the discount rate, and taking into account any uncertainty that could reduce the amount thereof. The value in use is not necessarily the same as the fair value, since the former pertains to factors specific to the entity; primarily its ability to impose prices above or below market prices, as it assumes different risks, or because it undergoes interruptions (in construction or marketing in the case of investments in progress, refurbishing costs, maintenance, etc.) different to those experienced by most other companies in the sector.

The carrying amount of the Company's investment property is adjusted at the interim and period-end reporting date by recognising an impairment provision to write the carrying amount down to the recoverable amount, where the latter is the lower of the two.

Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased by the revised estimate of its recoverable amount. The increased carrying amount of an asset may not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment are recognised as income.

(b) Leases

(i) *Classification of leases*

Leases are classified 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. All other leases are classified as operating leases. The Company has not engaged in any finance lease transactions.

(ii) *Lessee accounting records*

- Operating leases

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 Company 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.

(iii) *Lessor accounting records*

- Operating leases

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.

(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.

The Company classifies financial instruments into different categories based on the nature of the instruments and the Company's intentions on initial recognition.

(ii) *Offsetting principles*

A financial asset and a financial liability are offset only when the Company 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) *Financial assets and financial liabilities held for trading*

Financial assets or financial liabilities held for trading are those which are classified as held for trading from initial recognition.

A financial asset or financial liability is classified as held for trading if it:

- Is acquired or incurred principally for the purpose of selling or repurchasing it in the immediate future;

- Forms part, from initial recognition, of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking or

- Is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs directly attributable to the acquisition or issue are recognised as an expense when incurred.

After initial recognition, they are recognised at fair value through profit or loss. Fair value is not reduced by transaction costs incurred on sale or disposal.

The Company does not reclassify any financial asset or financial liability into or out of this category while it is recognised in the balance sheet, except when there is a change in the classification of hedging instruments.

(iv) *Loans and receivables*

This item comprises non-derivative loans and receivables with fixed or determinable payments that are not quoted in an active market. These are mainly deposits in banking institutions and accrued interest receivable on the deposits contracted as well as receivables arising from the Company's activity. These assets are classified as current unless they mature in more than 12 months after the reporting date, in which case they are classified as non-current. Loans and receivables are included under trade and other receivables in the balance sheet 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 are 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 the reporting date, the necessary impairment losses are recognised when there is objective evidence that not all the amounts receivable will be collected.

(v) *Equity instruments in Group companies, associates and jointly controlled entities.*

Group companies are those over which the Company exerts control whereas associates are entities over which the Company has significant influence. In addition, jointly controlled entities include entities in which the Company exercises control together with one or more partners, by virtue of an agreement.

In general, investments in Group companies are recognised initially at the fair value of the consideration paid.

As of 1 January 2010, any fees of legal advisors or other professionals who may be involved in the acquisition of investments in equity instruments of Group companies which grant control over a subsidiary, are taken directly to the income statement.

After initial valuation, investments in Group companies, associates and jointly controlled entities are measured at cost net of any accumulated impairment. This impairment is calculated as the difference between the carrying amount and the recoverable amount, which is the higher of fair value less costs to sell and the present value of future cash flows deriving from the investment. Unless better evidence of the recoverable amount is available, impairment is determined based on the investee's equity, corrected for any unrealised gains existing at the measurement date.

(vi) *Impairment 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 variable income 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 Company applies the same criteria when the foreclosure is considered probable.

The Company 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.

(vii) *Financial liabilities*

Financial liabilities, including trade and other payables that are not recognised at fair value through profit or loss, 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.

(viii) *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 Company has transferred substantially all the risks and rewards of ownership.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received, net of transaction costs, including any new asset obtained less any new liability assumed and any cumulative gain or loss deferred in recognised income and expense, is recognised directly in equity.

(ix) *Derecognition and modifications of financial liabilities*

The Company 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 Company 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, provided that the instruments have substantially different terms.

The Company considers the terms to be 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 per cent 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. In the latter case, a new effective interest rate is determined on the modification date, calculated as the rate that equates the present value of the flows payable under the new terms to the carrying amount of the financial liability at that date.

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. If the Company transfers non-monetary assets in settlement of the debt, the difference between their fair value and their carrying amount is recognised as results from operating activities, and the difference between the value of the debt being settled and the fair value of the assets as net finance income/cost. If the Company transfers inventories, the corresponding sale transaction is recognised at their fair value and the change in inventories at their carrying amount.

(d) Own equity instruments held by the Company

Equity instruments acquired by the Company are shown separately at cost of acquisition as a reduction in capital and reserves in the balance sheet. Any gains or losses on transactions with own equity instruments are not recognised in profit or loss.
The subsequent redemption of the instruments 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, including issue costs related to a business combination, are accounted for as a deduction from reserves, net of any tax effect.

Dividends relating to equity instruments are recognised as a reduction in equity when approved by the shareholders.

(e) Distributions to shareholders

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

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 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 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 initially measured at cost of purchase or production.

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

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

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.

(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) Short-term 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 Company 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 Company has a present obligation (legal, contractual, constructive or tacit) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision 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 the income statement.

The tax effect and gains on the expected 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 there is no doubt that the reimbursement will be received. The reimbursement is recognised as income in the income statement based on the nature of the expenditure 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.

(j) Recognition of revenue

Revenue from leases is measured 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 Company consists of the acquisition and management of shopping centres and offices. However, it may invest on a smaller scale in other assets for rent or for direct sale (commercial premises, logistics bays, logistics centres or residential products). Company 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 Company recognises revenue from leases on a monthly basis in accordance with the terms and amounts agreed in the different agreements entered into with its 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 2,626,000 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 included under external services in the accompanying income statement for the period ended 31 December 2014.

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

(k) Income tax

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 carry forwards 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 carry forwards 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.

The special tax regime for SOCIMIs, 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 Company has established a procedure whereby shareholders confirm their tax status and, where applicable, 19% of the amount of the dividend distributed among the shareholders who do not meet the aforementioned tax requirements is withheld.

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

The Company classifies assets and liabilities in the balance sheet 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 Company’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 Company’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 Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

- Financial liabilities are classified as current when they are due to be settled within 12 months after the reporting date, even if the original term was for a period longer than 12 months, and an agreement to refinance or to reschedule payments on a long-term basis is completed after the reporting date and before the annual accounts are authorised for issue.

(m) Insurance contracts

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

(n) Environmental issues

The Company takes measures to prevent, reduce and repair any damage caused to the environment by its activities.

Expenses derived from environmental activities are recognised as other operating expenses in the period in which they are incurred. Due to its nature, the Company's activity does not have a significant impact on the environment.

(o) Transactions between Group companies

Transactions between Group companies, except those related to mergers, spin-offs and non-monetary contributions, are recognised at the fair value of the consideration given or received. The difference between this value and the amount agreed is recognised in line with the underlying economic substance of the transaction.

(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 Company and other activities that cannot be classified as investing or financing activities.

- Investing activities: the acquisition, sale or disposal by other means of long-term 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.

(5) Investment Property

Details of investment property and movement during the period are as follows:

	Thousands of Euros		
	2014		
	Land	Buildings	Total
Cost at 17 January 2014	-	-	-
Additions	80,456	123,073	203,529
Cost at 31 December 2014	80,456	123,073	203,529
Accumulated depreciation at 17 January 2014	-	-	-
Charges	-	(1,219)	(1,219)
Accumulated depreciation at 31 December 2014	-	(1,219)	(1,219)
Carrying amount at 31 December 2014	80,456	121,854	202,310

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

Details by line of business of the carrying amount of the Company's investment property held under operating leases at 31 December 2014 are as follows:

	Thousands of Euros
	2014
Shopping centres and single-tenant commercial property	158,404
Office buildings	43,906
	202,310

The Company has recognised non-recoverable direct tax incurred of Euros 3,165 thousand as an increase in the cost of purchase.

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

	Gross lettable area (sqm)	Occupancy rate (% of sqm)
Shopping centres and single-tenant commercial property	64,770	87.1 %
Office buildings	17,247	60.5 %

Pursuant to accounting legislation, the fair value of the investment property was determined by a professionally accredited external independent appraisal company with recent experience in the location and category of the property being appraised. Independent appraisal companies determine the fair value of the Company's investment property portfolio every six months.

The appraisal companies that performed the appraisals of the Company'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

A breakdown of the market value of each investment property at 31 December 2014 is as follows:

	Thousands of Euros
Txingudi shopping centre	28,500
Las Huertas shopping centre	12,000
Arturo Soria office building	24,690
Single-tenant commercial premises Villaverde	9,345
Anec Blau shopping centre	81,310
Albacenter shopping centre	29,103
Cardenal Marcelo Spinola office building	19,300
	204,248

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

	Thousands of Euros
	2014
Appraisal services	17
	17

Insurance

The Company has taken out insurance policies to cover the risk of damage to its investment property. The coverage provided by these policies is considered sufficient.

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

(6) Operating Leases - Lessee

The Company held an operating lease on the premises of the hypermarket at the Albacenter shopping centre, 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.

On the same date, Lar España Real Estate SOCIMI, S.A. signed a new operating lease on other premises with the Group company “Lar España Shopping Centres, S.A.”, which it has sublet to the PRIMARK clothing group.

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

	Thousands of Euros
	2014
Minimum lease payments (note 21(c))	32
	32

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

	Thousands of Euros
	2014
Less than one year	75
One to five years	200
Over five years	-
	275

(7) Operating Leases – Lessor

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

At 31 December 2014 properties earmarked for rental had occupancy rates of 87.1% (shopping centres) and 60.5% (office buildings) and generated the revenues shown in the following table:

	Thousands of Euros				
Item	Cost	Accumulated depreciation at 31/12/2014	Depreciation charge	Carrying amount	Accrued income
Txingudi commercial park (Irun, Basque Country, Spain)	27,811	(257)	(257)	27,554	1,887
Las Huertas Shopping Centre (Palencia, Castile and Leon, Spain)	12,031	(155)	(155)	11,876	776
Single-tenant commercial premises Villaverde (Madrid,	9,327	(36)	(36)	9,291	331
Anec Blau shopping centre (Barcelona, Spain)	81,290	(477)	(477)	80,813	2,377
Albacenter shopping centre (Albacete, Spain)	28,968	(98)	(98)	28,870	877
Arturo Soria office building (Madrid, Spain)	24,563	(83)	(83)	24,480	638
Cardenal Marcelo Spinola office building (Madrid, Spain)	19,539	(113)	(113)	19,426	321
Total	**203,529**	**(1,219)**	**(1,219)**	**202,310**	**7,207**

The lease contracts between the Company and its customers stipulate a fixed rent and 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 the shopping centres and office buildings accrued from 24 March 2014 to 31 December 2014.

The nominal amount of future minimum payments receivable under non-cancellable operating leases are as follows:

	Thousands of Euros
	2014
Less than one year	12,671
One to five years	25,171
Over five years	19,212
	57,054

The most significant operating lease contracts at 31 December 2014 and their main characteristics are shown below:

Ranking	Trade name	Project	% of total rental income	% Accumulated	Expiry	Sector
1	MEDIA MARKT	MediaMarkt Villaverde	5.46%	5.46%	2022	Technology
2	SEGURCAIXA ADESLAS, S.A.	Arturo Soria	4.43%	9.89%	2020	Offices
3	C&A	Txingudi/Anec Blau	4.29%	14.18%	2020/2025	Textile/Fashion
4	MERCADONA	Anec Blau	3.80%	17.98%	2030	Distribution
5	LOS TELARES	Txingudi/Las Huertas	3.42%	21.40%	2018/2017	Textile/Fashion
6	BERSHKA	Albacenter/Anec Blau	3.12%	24.52%	2033/2025	Textile/Fashion
7	PULL & BEAR	Las Huertas/Albacenter/Anec Blau	3.07%	27.59%	2027/2025/2028	Textile/Fashion
8	ZARA	Anec Blau	3.03%	30.62%	2025	Textile/Fashion
9	INSIDE	Txingudi/Las Huertas/Albacenter/Anec Blau	2.82%	33.44%	2016/2015/2020/2019	Textile/Fashion
10	KIABI ESPAÑA KSCE, S.A.	Txingudi	2.59%	36.03%	2027	Textile/Fashion

(8) Risk Management Policy

(a) Financial risk factors

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

Company senior management 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 Company'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 Company has established specific measures which 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 Company performs periodically. These analyses take the following factors into consideration:

- The economic environment in which the Company performs its activity: The design of various economic scenarios with different key variables that can affect the Company (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 Company if a customer or counterparty fails to discharge its contractual obligations.

The Company is not significantly exposed to credit risk. The Company 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 Company 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 is as follows:

	In thousands of Euros	
	Note	2014
Security deposits and guarantees	10(b)	34,178
Other financial assets	10(b)	297
Trade and other receivables	12	1,870
Cash and cash equivalents	13	17,467
		53,812

The Company's exposure to trade and other receivables at 31 December 2014 is detailed below. The tables show the ageing analysis of trade and other receivables at 31 December 2014 that are not impaired.

Company policy for impairment of trade receivables stipulates that provision must be made for the full amount outstanding on debts of over 90 days, 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	636	135	700	1,870
Total assets	399	636	135	700	1,870

The following table presents details of impaired balances by the geographic region in which the Company operates.

	Thousands of Euros
	2014
Basque Country	341
Castile and Leon	99
Catalonia	64
Castile La Mancha	20
	524

Cash and cash equivalents

The Company has cash and cash equivalents totalling Euros 17,467 thousand, which represents its maximum exposure to the 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 Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

Details of the Company's exposure to liquidity risk at 31 December 2014 and financial liabilities by remaining contracted maturity are as follows:

	2014			
	Thousands of Euros			
	Less than 1 month	1 to 3 months	Indefinite	Total
Other non-current liabilities - security deposits	-	-	3,603	3,603
Trade and other payables	403	2,137	-	2,540
Total	403	2,137	3,603	6,143

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

At 31 December 2014 the Company 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 Company's operating activities are not significantly affected by fluctuations in market interest rates.

At 31 December 2014, the Company has not received any loans or credit from the Group, related parties, unrelated parties or third parties.

(v) *Tax risk*

As mentioned in note 1, the Company has adopted 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 not approve the dividend distribution proposed by the board of directors, which has been calculated in accordance with the requirements set forth in the aforementioned law, the Company would be in breach of said law and, consequently, would have to file its tax returns under the general tax regime rather than that applicable to SOCIMIs.

(9) Investments in Equity Instruments of Group Companies and Associates

Details of investments in equity instruments of Group companies and associates are as follows:

	Thousands of Euros		
	2014		
	Acquisition value	Voluntary contributions	Total investments
Investments in Group companies			
LAR ESPAÑA INVERSION LOGISTICA, S.A.	60	45,149	45,209
LAR ESPAÑA SHOPPING CENTRES, S.A.	60	12,000	12,060
LAR ESPAÑA OFFICES, S.A.	60	35,200	35,260
LAR ESPAÑA PARQUE DE MEDIANAS, S.A.	60	10,500	10,560
RIVERTON GESTIÓN, S.L.U.	3	13,000	13,003
GLOBAL NOCTUA, S.L.	4	-	4
	247	115,849	116,096
Investments in Associates			
PUERTA MARÍTIMA ONDARA, S.L.	17,543	882	18,425
LAVERNIA INVESTMENTS, S.L.	4	-	4
	17,547	882	18,429
Total	17,794	116,731	134,525

LAR España Inversión Logística, S.A., a Spanish company incorporated on 23 July 2014 with share capital of Euros 60 thousand made up of 30,000 shares with a par value of Euros 2 each. The company's statutory activity is the rental of properties (logistics bays) on its own behalf. Group subsidiary whose capital is 100% owned by LAR España Real Estate SOCIMI, S.A. Throughout 2014 the Company has made voluntary contributions to LAR España Inversión Logística, S.A. amounting to Euros 45,149 thousand for the acquisition of the Alovera I and Alovera II logistics bays.

On 4 November, the Company incorporated a subsidiary, LAR España Shopping Centres, S.A., of which it owns 100% of the share capital of Euros 60 thousand made up of 30,000 registered shares with a par value of Euros 2 each. In December 2014, the Company made two voluntary contributions to LAR España Shopping Centres, S.A. totalling Euros 12,000 thousand for the purpose of, among other things, acquiring the hypermarket and two adjacent commercial premises located at the Albacenter shopping centre.

On 4 November, the Company incorporated a subsidiary, LAR España Offices, S.A., a Spanish company of which it owns 100% of its share capital of Euros 60 thousand made up of 30,000 registered shares with a par value of Euros 2 each. On 16 December 2014, the Company made a voluntary contribution to LAR España Offices, S.A. amounting to Euros 35,200 thousand for the purpose of, among other things, acquiring the Egeo office building in Madrid.

On 4 November, the Company incorporated a subsidiary, LAR España Parque de Medianas, S.A., a Spanish company of which it owns 100% of its share capital of Euros 60 thousand made up of 30,000 registered shares with a par value of Euros 2 each. On 16 December 2014, the Company made a voluntary contribution to LAR España Parque de Medianas, S.A. amounting to Euros 10,500 thousand for the purpose of, among other things, acquiring Nuevo Alisal, (two single-tenant commercial premises located in Santander).

On 18 December 2014, the Company acquired 100% of the shares of Riverton Gestión, S.L.U., a Spanish company set up on 17 November 2014 with a share capital of Euros 3 thousand made up of 3,000 shares with a par value of one Euro each. On 23 December 2014, the Company made a voluntary contribution to Riverton Gestión, S.L.U. amounting to Euros 13,000 thousand for the purpose of, among other things, acquiring the office building at Eloy Gonzalo street in Madrid.

On 18 December 2014, the Company acquired 100% of the shares of Global Noctua, S.L., a Spanish company incorporated on 13 November 2014 with a share capital of Euros 4 thousand made up of 3,600 shares with a par value of one Euro each.

On 10 October 2014, the Company entered into an agreement with Cecosa Hipermercados, S.A. to acquire shares representing 58.78% of the share capital of Puerta Marítima Ondara, S.L., the owner of the "Portal de la Marina" shopping centre located in Ondara (Alicante). The acquisition was made for Euros 17,543 thousand, and paid in full using Company equity. The remaining investment in Puerta Marítima Ondara, S.L. is owned by a subsidiary of Grupo Lar Inversiones Inmobiliarias Lar, S.A., the Company's management company. On 23 December 2014, the shareholders agreed to make a total voluntary contribution of Euros 1,500 thousand to the Company to cover payment commitments assumed by the latter until the 2014 reporting date. The contribution made by LAR España Real Estate SOCIMI, S.A. amounted to Euros 882 thousand.

On 17 December 2014, the Company acquired 50% of the shares of Lavernia Investments, S.L., a Spanish company incorporated on 15 November 2013 with a share capital of Euros 8 thousand made up of 3,000 shares with a par value of Euro 2.586 each.

Details of investments in Group companies and associates are included in Appendix I.

(10) Financial Assets by Category

(a) Classification of financial assets by category

The classification of the Company's financial assets by category at 31 December 2014 is as follows:

	Thousands of Euros	
	2014	
	Non-current	Current
	Carrying amount	Carrying amount
Loans and receivables		
Security deposits and guarantees	2,409	31,769
Other financial assets	-	297
Trade and other receivables		
Trade receivables	-	1,170
Public entities, other	-	700
Total	2,409	33,936
Total financial assets	2,409	33,936

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 8, which the Company has deposited with the corresponding public bodies (Security deposits and guarantees - non-current) and deposits at financial institutions maturing within less than 12 months after 31 December 2014 (Security deposits and guarantees - current).

Other financial assets (current) reflect accrued interest receivable on current accounts held by the Company. 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:

	Thousands of Euros		
	2014		
	Less than 1 year	Indefinite	Total
Security deposits and guarantees	31,769	2,409	34,178
Other financial assets	297	-	297
Trade and other receivables	1,870	-	1,870
	33,936	2,409	36,345

(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
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

The balance sheet item inventories primarily comprises the acquisition of several parking spaces linked to a property development intended for sale.
The balance for this item is Euros 3,102 thousand for a total of 16 parking spaces.

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

	Thousands of Euros 2014		
	Parking spaces	Other	Total
Purchases	2,843	-	2,843
Advances to suppliers	-	259	259
Balance at 31 December 2014	2,843	259	3,102

(12) Trade and Other Receivables

Details of loans and other receivables at 31 December 2014 are as follows:

	Thousands of Euros 2014	
	Non-current	Current
Operating lease receivables	-	1,694
Public entities, other (note 19)	-	700
Less, valuation losses for uncollectibility	-	(524)
Total	-	1,870

(a) Impairment

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

	Thousands of Euros
	2014
Balance at 17 January	-
Impairment during the year	362
Impairment allowances	217
Reversals of impairment losses	(55)
Balance at 31 December	524

(13) Cash and Cash Equivalents

Details of cash and cash equivalents are as follows:

	Thousands of Euros
	2014
Banks	17,467
	17,467

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

(14) Equity

Details of equity and movement during the period are shown in the statement of changes in equity.

(a) Capital

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

All of the shares of Lar España Real Estate SOCIMI, S.A., which have a par value of Euros 2 each, are quoted on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges. These shares are freely transferable.

On 5 February 2014, Grupo Lar Inversiones Inmobiliarias, S.A., 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 their 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 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 the Company was incorporated by the difference between the two share issue prices (Euros 8).

At 31 December 2014 the Company'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%

The purpose of the Company's capital management is to safeguard its capacity to continue operating as a going concern so as to provide remuneration for shareholders and benefit other stakeholders while reducing the cost of capital by maintaining an optimum capital structure.

To maintain and adjust its capital structure, the Company can adjust the amount of the dividends it pays its shareholders, it can refund capital, issue shares or sell assets to reduce its borrowings.
At 31 December 2014, the Company has not received any loans or credit from the Group, related parties, unrelated parties or third parties.

(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 Company's equity is not reduced to less than its share capital as a result of any distribution.
At 31 December 2014, the Company's share premium stands at Euros 320,000 thousand.

(c) Reserves

(i) *Legal reserve*

The legal reserve is to be appropriated in compliance with article 274 of the 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 Company has not appropriated to this reserve the minimum amount required by the Revised Spanish Companies Act as 2014 is the first year of operation 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 is mainly for expenses related to incorporation and to the capital increase through a share issue carried out on 5 March 2014 amounting to Euros 9,425 thousand.

(d) Treasury shares

At 31 December 2014 the Company holds treasury shares 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

Treasury shares held by the Company at 31 December 2014 represent 1.3% of share capital and have a total par value of Euros 1,063 thousand. With a total acquisition price of Euros 4,838 thousand, the average acquisition price is Euros 9.10 per share and the average sale price is Euros 9.14 per share. Profits from the sale of treasury shares for the period of 11 months and 14 days amount to Euros 4 thousand and are recognised under other reserves in the balance sheet.

(e) Capital management

The Company is essentially self-financing through the use of equity. The Company can resort to market financing through mortgage-backed loans only to finance new investments, or else it can obtain funding from associates.

The purpose of the Company's capital management is to safeguard its capacity to continue operating as a going concern so as to provide remuneration for shareholders and benefit other stakeholders while reducing the cost of capital by maintaining an optimum capital structure.

To maintain and adjust its capital structure, the Company can adjust the amount of the dividends it pays its shareholders, it can refund capital, issue shares or sell assets to reduce its borrowings.

(15) Financial Liabilities by Category

(a) Classification of financial liabilities by category

The classification of financial liabilities by category and class at 31 December 2014 is as follows:

	Thousands of Euros	
	2014	
	Non-current	Current
	Carrying amount	Carrying amount
Debts and payables		
Other financial liabilities	3,603	-
Trade and other payables		
Payables and suppliers	-	2,444
Personnel	-	18
Public entities, other	-	78
Total financial liabilities	3,603	2,540

(b) Classification of financial liabilities by maturity

Details of the items comprising other non-current financial liabilities and trade and other payables are as follows:

	Thousands of Euros		
	2014		
	Less than 1 year	Indefinite	Total
Other financial liabilities - security deposits	-	3,603	3,603
Trade and other payables	2,540	-	2,540
Total	2,540	3,603	6,143

(16) Other non-current financial liabilities

Under other non-current financial liabilities, the Company shows a balance of Euros 3,603 thousand at 31 December 2014 for security deposits delivered to the Company by the various tenants of the commercial premises located in the properties. This amount generally represents two months' rent, which is reimbursed at the end of the contract term.

(17) Trade and Other Payables

Details of trade and other payables are as follows:

	Thousands of Euros
	2014
Trade payables	1,578
Suppliers, related companies (note 20)	866
Personnel	18
Public entities, other (note 19(a))	78
Total	2,540

(18) <u>Late Payments to Suppliers. "Reporting Requirement", Third Additional Provision of Law 15/2010 of 5 July 2010</u>

Details of late payments to suppliers are as follows:

	Thousands of Euros	
	Payments made and outstanding at the reporting date	
	2014	
	Amount	%
Within maximum legal period	218,988	99.61%
Other	861	0.39%
Total payments for the period	219,849	100%
Weighted average payment days	31	-
Weighted average late payment days	29	-
Late payments exceeding the maximum legal period at the reporting date	146	28.98%

Late payments exceeding the maximum legal period at the reporting date (146 thousand euros) as well as the indicated percentage (28.98%) refer to invoices for current transactions received by the Company 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 (146 thousand euros) represent a 0.07% of the total payments for the year (219,849 thousand euros) made by the Company 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" (146 thousand euros) represents 8.82% of the total "Trade and other payables" (1,655 thousand euros excluding balances with the Public Administrations) at December 31, 2014.

Payments to suppliers reflected in the above table are trade payables as they relate to goods and services, and therefore include other payables recognised under current liabilities in the balance sheet.

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 applicable to the Company, 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.

(19) Public Entities and Taxation

(a) Current balances with public entities

Details of balances with public entities at 31 December 2014 are as follows:

Receivables

	Thousands of Euros
Taxation authorities, VAT recoverable	241
Taxation authorities, other withholdings	459
	700

Payables

	Thousands of Euros
Taxation authorities, VAT payable	2
Taxation authorities, withholdings	72
Social Security contributions	4
	78

(b) Reconciliation of accounting profit and taxable income

At 31 December 2014 the Company's taxable income has been calculated on the basis of the accounting profit for the year plus the expenses derived from the incorporation of the Company and the share capital increase, which have been recognised directly in equity, together with temporary differences due to the existing limitations on fixed asset depreciation and amortisation charges. At the reporting date of the interim financial statements, as the Company is subject to the tax regime for SOCIMIs, it has not recognised the corresponding deferred tax assets.

	Thousands of Euros
Profit before tax from continuing operations	1,664
Permanent differences	(9,158)
Temporary differences	366
Taxable income (tax loss)	(7,128)
Tax payable (0%)	-
Income tax expense/(tax income)	-

(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 Company has open to inspection by the taxation authorities all the main applicable taxes since its incorporation. The 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 annual accounts 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. Profits from income subject to the general income tax rate	-
b. Profits from income subject to a tax rate of 18% (2009 and 19% (2010 to 2012)	-
c. Profits from income subject to a tax rate of 0%	Proposed dividend distribution for 2014: Euros 1,331 thousand
d) Dividend 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 of agreement of dividend distribution referred to in points c) and d) above	2014 dividends: pending AGM
f) Date of acquisition of properties for lease which 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 Villaverde shopping centre: 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) Data of acquisition of shares in the capital of the entities to which article 2.1 of the above Law refers.	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 that qualifies as part of the 80% mentioned in article 3.1 of this Law	Investment property:
	Txingudi Shopping Centre
	Las Huertas Shopping Centre
	Arturo Soria Office Building
	Villaverde Shopping Centre
	Albacenter Shopping Centre
	Anec Blau Shopping Centre Cardenal Marcelo Spinola Office Building Participation in Equity:
	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 which 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.	-

(20) Related Party Balances and Transactions

(a) Related party transactions and balances

On 12 February 2014, Grupo Lar Inversiones Inmobiliarias, S.A. (at the time the sole shareholder of the Company) 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, advice on the acquisition and management of property assets on behalf of the Company and financial management. The contract will accrue fees set at a percentage of the fair value (EPRA NAV) of the investments plus variable fees based on the management performance.

These services are recognised as other operating expenses in the consolidated income statement. 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 Company has a payable balance for this item totalling Euros 771 thousand.

The Company has also signed a contract with a related company, Gentalia 2006, S.L., 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. At 31 December 2014, the Company has recognised a payable for this item amounting to Euros 95 thousand under suppliers in the accompanying balance sheet.

The Company has entered into an operating lease agreement with Lar España Shopping Centres, S.A. whereby the subsidiary acts as the lessor of commercial premises adjacent to the hypermarket at the Albacenter shopping centre.

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

The remuneration received by the members of the Company’s board of directors and senior management personnel during the period of 11 months and 14 days ended 31 December 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 Company has no pension or life insurance obligations with former or current members of the board of directors or senior management personnel of the Parent.

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 Company and members of its supervisory board

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

(21) Income and Expenses

(a) Revenues

Revenues at 31 December 2014 total Euros 7,207 thousand and reflect income from the Company's principal statutory activity, namely the leasing of properties owned by the Company.
The distribution and details of the Company's revenues by geographical area is as follows:

	Thousands of Euros	
	2014	
	Revenues	% of total revenues
Basque Country	1,887	26%
Catalonia	2,376	33%
Castile La Mancha	877	12%
Castile and Leon	776	11%
Community of Madrid	1,291	18%
	7,207	100%

The Company carried out its activity entirely in Spain.

(b) Personnel expenses

Details of personnel expenses at 31 December 2014 are as follows:

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

(c) Other operating expenses

	Thousands of Euros
	2014
Operating lease expenses	32
Repairs and maintenance	45
Independent professional services	5,565
Insurance premiums	127
Bank fees and commissions	6
Advertising and publicity	241
Supplies	349
Other expenses	76
Taxes	221
Impairment losses on trade and other receivables (see note 12(a))	162
	6,824

Operating expenses mainly comprise the costs of advisory services to acquire assets and are recognised under independent professional services.

(22) Employee Information

The average headcount 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

At year end the distribution by gender of Company personnel is as follows:

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

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

(23) Audit Fees

At 31 December the Company recognised the following fees for audit services provided and other related services provided 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	400
Other services	12
Total	506

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.

(24) Events after the Reporting Period

On 30 January 2015, Lar España Real Estate SOCIMI, S.A. 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 one of its subsidiaries ("PIMCO"), of the following property assets located in a prime area in the city of Madrid:

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

(ii) The residential property located at Claudio Coello 108 street, which has a total floor 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.

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 Company for a total amount of Euros 140,000 thousand, maturing on 21 February 2022. In accordance with the bond agreement adopted by the Company's board of directors (the "issue"), the bonds 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.

(25) Explanation added for translation to English

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

Appendix I

Name	Registered office	Activity	Auditor	Type of entity	% ownership Direct	Total	Thousands of Euros Share capital	Profit/(loss)	Other equity	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, SA	Rosario Pino 14-16; Madrid	The acquisition and development of urban 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 urban 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 urban 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 urban properties for lease	-	Subsidiary	100%	100%	4	(3)	-	4
LAVERNIA INVESTMENTS, S.L.	Rosario Pino 14-16; Madrid	The acquisition and development of urban properties for lease	-	Associate	50%	50%	3	(5)	10	4
PUERTA MARÍTIMA ONDARA, S.L.	Rosario Pino 14-16; Madrid	The acquisition and development of urban properties for lease	Deloitte, S.L.	Associate	58.78%	58.78%	27,240	(308)	3,366	18,425