Inmobiliaria Colonial, S.A. and Subsidiaries

Consolidated Financial Statements for the year ended 31 December 2014, prepared in accordance with International Financial Reporting Standards and Consolidated Management Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Inmobiliaria Colonial, S.A.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Inmobiliaria Colonial, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the consolidated statement of financial position at 31 December 2014 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation by the Parent's Directors of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' report for 2014 contains the explanations which the Parent's Directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2014. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Inmobiliaria Colonial, S.A. and Subsidiaries.

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

Francesc Ganyet

26 February 2015

COL·LEGI
DE CENSORS JURATS
DE COMPTES
DE CATALUNYA

Membre exercent:

DELOITTE, S.L.

Any 2015 Núm. 20/15/00100
CÒPIA GRATUÏTA

Informe subjecte a la taxa establerta a l'article 44 del text refós de la Llei d'auditoria de comptes, aprovat per Reial decret legislatiu 1/2011, d'1 de juliol.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 27).
In the event of a discrepancy, the Spanish-language version prevails.

INMOBILIARIA COLONIAL, S.A. AND SUBSIDIARIES
(COLONIAL GROUP)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2014

(Thousands of Euros)

ASSETS	Note	31 December 2014	31 December 2013	EQUITY AND LIABILITIES	Note	31 December 2014	31 December 2013
Goodwill	7	-	120.000	Share capital		797.214	225.919
Intangible assets	-	2.486	2.035	Share premium		560.606	109
Property, plant and equipment	8	32.985	32.952	Reserves of the Parent		1.165.187	1.083.485
Investment property	9	5.663.309	4.916.066	Prior years' losses at the Parent		(944.584)	(837.243)
Non-current financial assets	10	10.070	309.750	Reserves in consolidated companies		(621.819)	(193.463)
- Investments accounted for using the equity method		-	302.341	Valuation adjustments recognised in equity - financial instruments		(6.368)	(18.358)
- Other financial assets		*10.070*	7.409	Other equity instruments		1.904	2.488
Non-current deferred tax assets	18	1.422	142.592	Treasury shares		(21.291)	(59.945)
Other non-current assets	11	126	30.709	Profit/(loss) for the year		491.994	(546.928)
NON-CURRENT ASSETS		**5.710.398**	**5.554.104**	**Equity attributable to shareholders of the Parent**		**1.422.843**	**(343.936)**
				Non-controlling interests		**1.376.108**	**1.272.765**
				EQUITY	13	**2.798.951**	**928.829**
				Bank borrowings and other financial liabilities	14 and 15	1.479.951	627.895
				Bonds and similar securities issued	14	1.195.564	995.587
				Non-current deferred tax liabilities	18	203.750	184.776
				Non-current provisions	17	13.611	767
				Other non-current liabilities	16	24.891	23.643
				NON-CURRENT LIABILITIES		**2.917.767**	**1.832.668**
				Bank borrowings and other financial liabilities	14 and 15	73.468	2.059.521
Trade and other receivables	12	58.008	47.476	Bonds and similar securities issued	14	8.775	13.619
Current financial assets	-	63	951	Trade payables	16	104.302	101.220
Current tax assets	18	14.513	20.995	Current tax liabilities	18	16.035	25.507
Cash and cash equivalents	14	125.956	53.557	Current provisions	17	6.179	20.609
Non-current assets held for sale	24	16.539	842.748	Liabilities relating to assets held for sale	24	-	1.537.858
CURRENT ASSETS		**215.079**	**965.727**	**CURRENT LIABILITIES**		**208.759**	**3.758.334**
TOTAL ASSETS		**5.925.477**	**6.519.831**	**TOTAL EQUITY AND LIABILITIES**		**5.925.477**	**6.519.831**

The accompanying Notes 1 to 27 and Appendix I are an integral part of the consolidated statement of financial position for the year ended 31 December 2014.

INMOBILIARIA COLONIAL, S.A. AND SUBSIDIARIES
(COLONIAL GROUP)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

(Thousands of Euros)

Statement of comprehensive income	Note	2014	2013
Revenue	20	211.477	213.111
Other income	20	2.606	4.095
Staff costs	20	(25.432)	(18.789)
Other operating expenses	20	(54.333)	(39.997)
Depreciation and amortisation charge		(1.444)	(1.490)
Net change in provisions		(17.941)	(17.682)
Net gain/(loss) on sales of assets	20	(27)	(9.056)
Operating profit		**114.906**	**130.192**
Change in fair value of investment property	20	331.953	37.430
Impairment charges and net gains/(losses) on assets	20	(124.579)	(649)
Finance income	20	19.402	22.861
Share of profit/(loss) of companies accounted for using the equity method	20	(2.176)	20.969
Finance costs	20	(232.366)	(235.723)
Impairment of financial assets		(3.733)	(107)
Profit/(loss) before tax		**103.407**	**(25.027)**
Income tax expense	18	(175.783)	(34.817)
Consolidated net loss from continuing operations		**(72.376)**	**(59.844)**
Profit/(loss) from discontinued operations	24	700.861	(405.052)
Consolidated net profit/(loss)		**628.485**	**(464.896)**
Net profit/(loss) for the year attributable to the Parent		491.994	(546.928)
Net profit attributable to non-controlling interests	13	136.491	82.032
Basic earnings per share (€)	5	0,228	(2,439)
Diluted earnings per share (€)	5	0,228	(2,439)
Other comprehensive income			
Consolidated net profit/(loss)		**628.485**	**(464.896)**
Other components of comprehensive income recognised directly in equity		**3.955**	**37.883**
Net gain/(loss) on hedging instruments	15	4.329	44.884
Tax effect on prior years' profit or loss		(374)	(7.001)
Transfers to comprehensive income		**10.742**	**6.844**
Net gain/(loss) on hedging instruments	15	10.742	6.844
Consolidated comprehensive income/(loss)		**643.182**	**(420.169)**
Comprehensive income/(loss) for the year attributable to the Parent		503.984	(515.079)
Comprehensive income/(loss) attributable to non-controlling interests		139.198	94.910
Comprehensive basic earnings per share (euros)		0,234	(2,297)
Comprehensive diluted earnings per share (euros)		0,234	(2,297)

The accompanying Notes 1 to 27 and Appendix I are an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2014.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 27).
In the event of a discrepancy, the Spanish-language version prevails.

INMOBILIARIA COLONIAL, S.A. AND SUBSIDIARIES
(COLONIAL GROUP)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED
31 DECEMBER 2014

(Thousands of Euros)

	Note	Share capital	Share premium	Reserves of the Parent	Prior years' losses at the Parent	Reserves in consolidated companies	Valuation adjustments recognised in equity - financial instruments	Treasury shares	Other equity instruments	Profit/(loss)	Non-controlling interests	Total
Balance at 31 December 2012	**13**	**225.918**	**102**	**1.083.591**	**-**	**48.822**	**(1.008)**	**(60.047)**	**3.955**	**(1.129.005)**	**1.219.637**	**1.391.965**
Total recognised income and expense for the period		-	-	-	-	-	31.849	-	-	(546.928)	94.910	**(420.169)**
Capital increase		1	7	(42)	-	-	-	-	(8)	-	-	**(42)**
Allocation of 2012 loss		-	-	-	(837.243)	(291.762)	-	-	-	1.129.005	(49.084)	**(49.084)**
Issuance of other equity instruments		-	-	(89)	-	-	-	-	89	-	-	**-**
Treasury share portfolio		-	-	-	-	-	-	102	-	-	90	**192**
Share-based payment transactions		-	-	-	-	-	-	-	(1.548)	-	267	**(1.281)**
Changes in scope of consolidation and other changes		-	-	25	-	49.477	(49.199)	-	-	-	6.945	**7.248**
Balance at 31 December 2013	**13**	**225.919**	**109**	**1.083.485**	**(837.243)**	**(193.463)**	**(18.358)**	**(59.945)**	**2.488**	**(546.928)**	**1.272.765**	**928.829**
Total recognised income and expense for the period		-	-	-	-	-	11.990	-	-	491.994	139.198	**643.182**
Capital increase		740.734	558.492	(49.977)	-	-	-	-	(2.025)	-	-	**1.247.224**
Capital reduction		(169.439)	-	169.439	-	-	-	-	-	-	-	**-**
Allocation of 2013 loss		-	-	-	(107.341)	(439.587)	-	-	-	546.928	(49.288)	**(49.288)**
Issuance of other equity instruments		-	2.005	(15)	-	-	-	-	15	-	-	**2.005**
Treasury share portfolio		-	-	(35.267)	-	(524)	-	38.654	-	-	(132)	**2.731**
Share-based payment transactions		-	-	-	-	-	-	-	1.426	-	207	**1.633**
Changes in scope of consolidation and other changes		-	-	(2.478)	-	11.755	-	-	-	-	13.358	**22.635**
Balance at 31 December 2014	**13**	**797.214**	**560.606**	**1.165.187**	**(944.584)**	**(621.819)**	**(6.368)**	**(21.291)**	**1.904**	**491.994**	**1.376.108**	**2.798.951**

The accompanying Notes 1 to 27 and Appendix I are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2014.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

INMOBILIARIA COLONIAL, S.A. AND SUBSIDIARIES
(COLONIAL GROUP)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
31 DECEMBER 2014

(thousands of euros)	Note	2014	2013
CASH FLOWS FROM CONTINUING OPERATIONS			
1. CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit		114.906	130.192
Adjustments to profit			
Depreciation and amortisation (+)		1.444	1.490
Net change in provisions (+/-)	20	17.941	17.682
Other	20	(8.025)	(1.281)
Gains/(losses) on disposal of investment property (+/-)	20	27	9.056
Adjusted profit		126.293	157.139
Taxes paid (-)		8.883	(21.040)
Dividends received from associates (+)	10	7.279	9.066
Increase/(decrease) in current assets and liabilities			
Increase/(decrease) in receivables (+/-)		(24.765)	3.110
Increase/(decrease) in payables (+/-)		(2.774)	(8.293)
Net cash generated by operating activities		**114.916**	**139.982**
2. CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in (-)			
Intangible assets		(1.027)	(1.079)
Property, plant and equipment	8	(88)	(151)
Investment property	9	(375.186)	(146.486)
Financial assets		-	-
		(376.301)	(147.716)
Disposals of (+)			
Property, plant and equipment	8	121	-
Financial assets	10	303.351	17.514
Investment property	9	-	381.105
		303.472	398.619
Net cash generated by/(used in) investing activities		**(72.829)**	**250.903**
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid (-)	13	(49.288)	(49.084)
Repayment of bank borrowings (-)	14	(2.188.969)	(250.078)
Interest paid (+/-)	20	(189.284)	(107.449)
Cancellation of derivative financial instruments (-)	20	(22.384)	(17.620)
		(2.449.925)	(424.231)
New bank borrowings obtained (+)	14	1.209.206	85.604
Capital increase (+)	13	1.263.338	-
Expenses associated with capital increases	13	(49.977)	-
Treasury share transactions (+/-)	13	2.731	55
Other proceeds/(payments) for current financial assets and other (+/-)		54.939	(15.245)
		2.480.237	70.414
Net cash generated by/(used in) financing activities		**30.312**	**(353.817)**
4. NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS			
Net cash for the year generated by continuing activities		**72.399**	**37.068**
Cash and cash equivalents at beginning of year	**14**	**53.557**	**69.017**
Cash transferred to discontinued operations		**-**	**(52.528)**
Cash and cash equivalents at end of year	**14**	**125.956**	**53.557**
CASH FLOWS FROM DISCONTINUED OPERATIONS			
1. Net cash generated by continuing operations		-	52.528
2. Net cash generated by operating activities		-	3.237
3. Net cash used in investing activities		-	(8.043)
4. Net cash used in financing activities		-	(58.791)
NET CASH USED IN DISCONTINUED OPERATIONS	24	**-**	**(11.069)**

The accompanying Notes 1 to 27 and Appendix I are an integral part of the consolidated statement of cash flows at 31 December 2014.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

Inmobiliaria Colonial, S.A. and Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2014

1. Colonial Group business activity

Group activity

Inmobiliaria Colonial, S.A. (formerly, Grupo Inmocaral, S.A., incorporated as Grupo Fosforera, S.A., hereinafter, the "Parent") is a public limited company incorporated in Spain, for an indefinite period on 8 November 1956. Its registered offices are located at Avenida Diagonal 532, in Barcelona.

The activity of Inmobiliaria Colonial, S.A. and Subsidiaries (hereinafter, the "Group" or the "Colonial Group") is the lease and disposal of movable and immovable property, which it carries on in Spain (mainly in Barcelona and Madrid) and in France (Paris), through the group of which it is the parent Société Foncière Lyonnaise, S.A. (hereinafter, the "SFL subgroup" or "SFL" for the subsidiary).

Until the date of its exclusion from the consolidated Asentia subgroup (Note 2-f), the Group also developed land and housing in Spain through its subsidiaries Asentia Project, S.L.U. (hereinafter, "Asentia" or "Asentia Project") and Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U. (hereinafter, "DUE"), and the development and management of shopping centres and business parks in Spain, Bulgaria and Romania through the group of which Riofisa, S.A.U. is the parent (hereinafter, the "Riofisa subgroup" or "Riofisa" for the subsidiary).

Inmobiliaria Colonial, S.A. is listed on the Madrid, Barcelona, Valencia and Bilbao stock exchanges.

In view of the business activity carried out by the Group, it does not have any environmental expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or performance. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements. However, the Group does apply an active environmental policy in relation to urban development, construction, maintenance and the preservation of its property portfolio.

2. Basis of presentation of the consolidated financial statements

a) Basis of presentation

These consolidated financial statements have been prepared under the International Financial Reporting Standards (IFRSs) as adopted by the European Union, taking into account all mandatory accounting policies and rules and measurement bases, the Spanish Code of Commerce, the Spanish Limited Liability Companies Law, the Spanish Securities Markets Law and other applicable company law, as well as regulations laid down by the Spanish National Securities Market Commission (CNMV), to present a true and fair view of the Colonial Group's consolidated equity and financial position at 31 December 2014 and of the comprehensive income from its operations, the changes in consolidated equity and the consolidated cash flows for the year then ended.

The consolidated financial statements of Inmobiliaria Colonial, S.A. and Subsidiaries for the year ended 31 December 2014 were prepared on the basis of the accounting records kept by the Parent and by the other companies comprising the Colonial Group and were authorised for issue by the Parent's directors at the Board meeting held on 25 February 2015.

However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements at 31 December 2014 may differ from those used by certain Group companies, the required adjustments and reclassifications were made on consolidation to unify the policies and bases used and to make them compliant with International Financial Reporting Standards.

In order to present the various items that make up the consolidated financial statements on a consistent basis, the accounting policies and measurement bases used by the Parent were applied to all the companies included in the scope of consolidation.

The Group's consolidated financial statements for the year ended 31 December 2013 were approved by the shareholders of the Parent at the General Meeting held on 30 June 2014.

b) Adoption of International Financial Reporting Standards

The Colonial Group's consolidated financial statements were prepared in accordance with International Financial Reporting Standards, pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002. In Spain, the requirement to present consolidated financial statements in accordance with the IFRSs approved in Europe is in turn regulated by final provision eleven of Law 62/2003, of 30 December, on tax, administrative, labour and social security measures.

The main accounting principles and measurement bases adopted by the Colonial Group are detailed in Note 4.

Standards and interpretations effective in 2014

New accounting standards became effective in 2014 and were accordingly taken into account in preparing these consolidated financial statements. The new standards are as follows:

New standards, amendments and interpretations		Mandatory application for annual periods beginning on or after:
IFRS 10 Consolidated Financial Statements (issued in May 2011)	Replaces the parts of IAS 27 that deal with consolidated financial statements	1 January 2014 (1)
IFRS 11 Joint Arrangements (issued in May 2011)	Replaces IAS 31 Interests in Joint Ventures	1 January 2014 (1)
IFRS 12 Disclosure of Interests in Other Entities (issued in May 2011)	Single disclosure standard applicable to entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities	1 January 2014 (1)
IAS 27 (Revised) Separate Financial Statements (issued in May 2011)	The standard has been revised because, following the issuance of IFRS 10, it will now only include the separate financial statements of an entity	1 January 2014 (1)
IAS 28 (Revised) Investments in Associates and Joint Ventures (issued in May 2011)	This revision is parallel to the issuance of IFRS 11 Joint Arrangements	1 January 2014 (1)
Transition rules: Amendments to IFRS 10, 11 and 12 (issued in June 2012)	Clarification on the transition rules applying to these standards	1 January 2014 (1)
Investment entities: Amendments to IFRS 10, IFRS 12 and IAS 27 (issued in October 2012)	Provides an exemption from consolidation for parent companies meeting the definition of investment entity	1 January 2014
Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities (issued in December 2011)	Additional clarification on the IAS 32 rules for offsetting financial assets and liabilities and introduction of new disclosure requirements under IFRS 7	1 January 2014
Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets (issued in May 2013)	Clarifies certain disclosure requirements and requires additional information when the recoverable amount is based on fair value less costs of disposal.	1 January 2014 (2)
Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (issued June 2013)	Determine the cases where and criteria under which there would be no need to discontinue hedge accounting if a hedging derivative was novated	1 January 2014

(1) The European Union delayed the date of mandatory application by one year. The original application date of the IASB was 1 January 2013.
(2) These amendments to IAS 36 were applied early by the Group, effective as of 1 January 2013.

The application of the aforementioned new regulations described did not have a significant impact on the consolidated financial statements.

Standards and interpretations issued but not yet effective

At the date of authorisation for issue of these consolidated financial statements, the following standards and interpretations had been issued by the IASB but had not become effective, either because they came into effect after the date of the consolidated financial statements or because they had yet to be adopted by the European Union:

New standards, amendments and interpretations		Mandatory application for annual periods beginning on or after:
Approved for use in the European Union		
IFRIC 21 Levies (issued in May 2013)	Guidance on when to recognise a liability for levies charged for participation in a market on a specified date	17 June 2014 (1)
Not approved for use in the European Union		
IFRS 9 Financial Instruments (last phase issued in July 2014)	Replaces the rules for the classification and measurement of financial assets and liabilities and for derecognition established in IAS 39.	1 January 2018
IFRS 14 Regulatory Deferral Accounts	Financial reporting requirements for regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate subject to rate regulation.	1 January 2016
IFRS 15 Revenue from Contracts with Customers (issued in May 2014)	New standard for the recognising revenue (substitutes IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31)	1 January 2017
Amendments to IAS 19 Defined Benefit Plans: Employee Contributions (issued in November 2013)	The amendments permit contributions to be recognised as a reduction in the service cost in the period in which payment for the related service is made, if certain requirements are met	1 July 2014
Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle (issued in December 2013)	Minor amendments to a series of standards	1 July 2014
Amendments to IAS 16 and IAS 38 Acceptable Methods of Depreciation and Amortisation (issued in May 2014)	Clarifies acceptable methods of depreciation for property, plant and equipment and amortisation for intangible assets	1 January 2016
Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations (issued in May 2014)	Specifies how to account for the acquisition of interest in a joint operation that constitutes a business.	1 January 2016
Improvements to IFRSs 2012-2014 Cycle (issued in May 2014)	Minor amendments to a series of standards	1 January 2016
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014)	Clarification regarding the results of these transactions if they are businesses or assets.	1 January 2016
Amendments to IAS 27 Equity Method in Separate Financial Statements (issued in August 2014)	An investor may now be accounted for using the equity method in separate financial statements.	1 January 2016
Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants (issued in June 2014)	Bearer plants will now be recognised at cost, instead of at fair value.	1 January 2016

(1) The European Union endorsed IFRIC 21 (EU Bulletin 14 June 2014), replacing the original date of entry into force established by the IASB (1 January 2014) with that of 17 June 2014.

The application of new standards, amendments and interpretations will be considered by the Group once they have been ratified and adopted, where appropriate, by the European Union.

The Parent's directors have reviewed the potential impacts of the future application of these standards and consider that their entry into force will not have a significant effect on the consolidated financial statements.

c) Functional currency

These consolidated financial statements are presented in the Group's functional currency, the euro, as this is the currency of the main economic area in which the Group operates.

d) Responsibility for the information provided and estimates and judgements made

The information in these consolidated financial statements is the responsibility of the Parent's directors. Management of the Parent has made estimates based on objective data in order to quantify certain assets, liabilities, income, expenses and commitments reported herein. These estimates and criteria relate to the following:

- The market value of investment property (Note 4-c)

- The measurement and impairment of goodwill (Notes 4-a and 7).

- The recoverability of tax credits in respect of tax loss carryforwards and deferred tax assets recognised (Notes 4-m and 18).

- The market value of certain financial assets, including derivative financial instruments (Note 15).

- Evaluation of lawsuits, obligations and contingent assets and liabilities at year-end (Notes 17 and 19).

Although these estimates were made on the basis of the best available information at the date of authorising these consolidated financial statements for issue, events that take place in the future might make it necessary to modify these amounts (upwards or downwards), which would mean, except for goodwill impairment charges, which cannot be reversed in the future, prospectively recognising the effects of said changes in the consolidated statement of comprehensive income, pursuant to IAS 8.

e) Basis of consolidation

The main consolidation principles applied by the Parent's directors in preparing these consolidated financial statements were as follows:

1. The accompanying consolidated financial statements were prepared from the accounting records of Inmobiliaria Colonial, S.A. and its subsidiaries, whose financial statements were prepared by each Group company's management. The Parent is considered to have effective control in the circumstances outlined in point 6 below.

2. The results of the subsidiaries acquired or sold during the year are included in consolidated earnings from the effective date of acquisition or until the effective date of disposal, as appropriate.

3. All accounts receivable and payable and other transactions between the consolidated companies have been eliminated on consolidation.

4. Where necessary, the financial statements of the subsidiaries are adjusted to ensure uniformity with the accounting policies applied by the Group's Parent.

5. The interest of non-controlling shareholders is established in proportion to the fair values of the identifiable assets and liabilities recognised. The share of non-controlling interests in:

a. The equity of their investees is presented within equity under “Non-controlling interests” in the consolidated statement of financial position.

b. Profit or loss for the period is recognised under “Net profit attributable to non-controlling interests” in the consolidated statement of comprehensive income.

6. The Group used the following criteria to determine the consolidation method applicable to the various companies comprising the Group:

Full consolidation:

- Subsidiaries are fully consolidated and are considered to be all entities in which the Group directly or indirectly controls the financial and operating policies such that power is exercised over the investee. This is generally accompanied by an ownership interest of more than half of an entity’s voting rights. In addition, to evaluate whether the Group controls another entity, it considers the power over the investee; the exposure or rights to variable returns of the investment; and the ability to use this power over the investee to affect the amount of the investor's returns. When evaluating whether the Group exercises control over an entity, the existence and the effect of any potential voting rights, both those held by the Parent and by third parties, are taken into consideration, provided they are of a substantive nature.

- Accordingly, Asentia Project, S.L.U. was fully consolidated at 31 December 2013 because the possibility of converting the participating loan into shares in the company was only exercisable by the banks for a period of 30 days from the day on which Asentia Project, S.L.U. issued the certificate evidencing the Loan to Value and Net Loan to Value ratios. At 31 December 2013, the potential voting rights were not exercisable. Therefore, given that the carrying amount was negative, the items from the Asentia subgroup continued to be included.

- Subsidiaries are accounted for using the purchase method. The acquisition cost is the fair value of the assets delivered, the equity instruments issued and the liabilities incurred or assumed at the acquisition date. Identifiable assets acquired and identifiable liabilities and contingencies incurred in a business combination are measured initially at fair value at the acquisition date, regardless of the effect of non-controlling interests. When the acquisition cost is higher than the fair value of the Group's interest in the identifiable net assets acquired, the difference is recognised as goodwill. If the acquisition cost is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of comprehensive income (see Appendix I for details of companies consolidated at 31 December 2014 and 2013).

The equity method:

- Companies considered to be associates are accounted for using the equity method. Investment in an associate is initially recognised at acquisition cost.

- Associates are entities in which the Colonial Group has significant influence but not control. Significant interest is generally evidenced by an interest of between 20% and 50% in the voting shares of a company.

- The Group’s share in an associate's post-acquisition profits or losses is recognised in the consolidated statement of comprehensive income, while its share in subsequent changes in equity recognised directly in the associate's reserves is also recognised directly in the Group’s equity. The carrying amount of the initial investment is increased or decreased to recognise the accumulated aforementioned changes. If the Group’s share of the losses of an associate is equal to or greater than the value of its investment, including any account receivable not guaranteed, no further losses are recorded by the Colonial Group unless obligations have been incurred or payments have been made on behalf of the associate.

- Unrealised gains on transactions between the Colonial Group and its associates are eliminated to the extent of the Group’s interest in that associate. Unrealised losses are similarly eliminated, unless losses are evidence of impairment.

7. The accompanying consolidated financial statements do not include the tax effect, if any, of transferring the reserves of the consolidated companies to the Parent's equity, since it is considered that these reserves will be used to finance the operations of each company and any potential distributions will not represent a significant additional tax cost.

8. The assets and liabilities of foreign operations are translated using the exchange rates prevailing at the reporting date. Income and expenses are translated at the average exchange rates for the period, while other equity items are translated at the historical exchange rate. Any translation differences arising are classified as equity. Translation differences are recognised as income or expenses in the period in which the investment is realised or disposed of.

f) Changes in the scope of consolidation

The following changes occurred in the scope of consolidation in 2014:

- On 25 February 2014, Asentia Project, S.L. increased its share capital by 13 thousand euros through the issuance of 12,800 shares of 1 euro par value each. This capital increase was fully assumed through the conversion of debt into equity by three creditors of Asentia. As a result of such capital increase, Colonial's equity interest in the share capital of this company which, to date, had been 100%, was reduced to 18.99%.

  Likewise, on the same date, the shareholders at Asentia's General Shareholders' Meeting approved the modification of the Company's Board of Directors, replacing the Sole Director with a Board of Directors and appointing four directors, none of which is a representative of Colonial.

  Subsequently, various capital increases were carried out, which were subscribed in full through the conversion of debt into equity by various creditors of Asentia, and reduced Colonial's interest to 3.79% at 31 December 2014.

  Consequently, Colonial lost its control over Asentia, whose ownership interest was recognised in the statement of financial position as an available-for-sale financial asset, recognising the investment in the financial statements at 0 euros. Also, and as a result of the aforementioned loss of control, the effect of the financial deposits delivered on account of the Asentia Group was recognised (Note 17).

  The impact of the change in the scope of consolidation on the main items of the consolidated statement of financial position at 31 December 2014 is as follows:

ASSETS	31 December 2014	LIABILITIES	31 December 2014
		Reserves in consolidated companies	3,530
		Valuation adjustments recognised in equity - financial instruments (Note 13)	5,317
		Profit for the year (Note 5)	700,740
		Non-controlling interests (Note 13)	13,695
		EQUITY	**723,282**
		Non-current provisions (Note 17)	26,065
		NON-CURRENT LIABILITIES	**26,065**
Non-current assets held for sale (Note 24)	(788,511)	Liabilities relating to assets held for sale (Note 24)	(1,537,858)
CURRENT ASSETS	**(788,511)**	**CURRENT LIABILITIES**	**(1,537,858)**
TOTAL ASSETS	**(788,511)**	**TOTAL EQUITY AND LIABILITIES**	**(788,511)**

The impact of the loss of control over the Asentia subgroup on the consolidated statement of comprehensive income for 2014 was as follows:

	Thousands of euros
	December 2014
Derecognition of assets and liabilities of non-controlling interests (Note 24)	735,531
Recognition of financial guarantees (Note 17)	(26,065)
Recycling to the statement of comprehensive income of the derivative reserve (Note 13)	(5,317)
Other recycling to the statement of comprehensive income	(3,289)
Profit from discontinued operations	**700,861**
Attributable to shareholders of the Parent	700,740
Attributable to non-controlling interests (Note 13)	121

"Recognition of financial guarantees" includes the non-current provisions recognised for the financial guarantees delivered on account of the Asentia Group when control over this company was lost:

- 12,535 thousand euros corresponding to the value granted by Colonial to the Asentia warrants, valuing them at the consideration paid (shares of the Parent), and which were executed on 30 December 2014 (Notes 10 and 13), and

- 13,530 thousand euros corresponding to the development costs pending execution in the Entrenúcleos EU-1, under the agreements reached with BBVA in the refinancing of DUE signed on 20 June 2013. The funds to meet this obligation are deposited in an account pledged in favour of BBVA.

- On 23 July 2014, SFL transferred all of the shares (29.63%) it held in the share capital of SIIC de Paris. This interest was accounted for using the equity method. The sale price, net of transfer costs, amounted to 303,557 thousand euros, generating an accounting gain of 8,485 thousand euros (Note 24).

- On 1 October 2014, and effective for accounting purposes as of 1 January 2014, the assets and liabilities of the subsidiary Abix Service, S.L.U. (hereinafter, “Abix”) were transferred en bloc to the Parent, without this transaction having any impact on the consolidated financial statements at 31 December 2014.

- On 4 December 2014, SFL acquired 100% of the share capital of the French subsidiaries SNC Condorcet Holding and SNC Condorcet Propco, owners of a property located in Rue Condorcet in París. The share capital was acquired for 229,438 thousand euros (Note 9).

The changes in the scope of consolidation in 2013 were as follows:

- The Parent's interest in SFL was reduced from 53.451% to 53.142% as a result of the debt refinancing agreement reached with the subsidiary DUE's financial institution. The outcome of this agreement was the sale of 143,765 shares in SFL for a total of 6,513 thousand euros.

At 31 December 2014 and 2013, the subsidiaries Colonial Invest, S.L.U. (formerly, Asentia Invest, S.L.U.), Colonial Tramit, S.L.U. (formerly, Asentia Gestión, S.L.U.), Maud SAS (formerly, SB1 SAS), SB2 SAS, SB3 SAS y SCI SB3 were dormant.

g) Financial position. Recapitalisation and refinancing of the Parent

The directors prepared the 2013 consolidated financial statements in accordance with the going-concern principle of accounting, considering the resolutions adopted at the Extraordinary General Shareholders' Meeting on 21 January 2014, which authorised the members of Colonial's Board of Directors to execute the recapitalisation and refinancing of the Parent. All of this on the basis of the existence of three individual and binding investment commitments of the investment groups the Villar Mir Group, the Santo Domingo Group and the Amura Capital Group (linked to Mora Banc), subject to certain conditions.

The recapitalisation and obtainment of new financing was successfully completed with the performance of the following operations in the first half of 2014:

- On 17 February 2014, the capital reduction of 169,439 thousand euros was registered in the Barcelona Mercantile Register in order to increase restricted voluntary reserves by decreasing the par value of all shares from 1 euro to 0.25 euros per share (Note 13).

- On 25 February 2014, Asentia increased its share capital, which was subscribed in full through the capitalisation of loans by three of its creditors. As a result of such capital increase, Colonial's equity interest which, to date, had been 100%, was reduced to 18.99% of share capital. Share capital was subsequently reduced to 3.79%, following three new loan capitalisations, as described in Note 2-f.

- On 4 April 2014, Colonial and Crédit Agricole Corporate and Investment Bank, acting as the correspondent bank, and other financial entities, signed a new syndicated loan (Note 14) for 1,040,000 thousand euros, and the drawdown of funds was mainly subject to increasing share capital by a minimum amount of 1.240.000 thousand euros, giving a maximum loan to value ratio of 43%.

- On 6 May 2014, the Parent's share capital was increased through the issue and placement of 2,937,995,853 new shares of 0.25 euros par value each, plus a share premium of 0.18 euros each. This capital increase was filed in the Barcelona Mercantile Register (Note 13). The total amount of the capital increase was 1,263,338 thousand euros.

The funds obtained from the new syndicated loan and from the capital increase were used by the Parent to repay the previous syndicated loan early, to write off virtually all the bilateral loans held by the Parent and by Abix, and to finance costs of the financial restructuring process and the capital increase.

3. Allocation of loss of the Parent

In light of the loss in the Parent's 2014 income statement, there was no proposal to distribute profit.

4. Accounting policies

The main accounting policies used to prepare the consolidated financial statements, in accordance with International Financial Reporting Standards (IFRSs) and the interpretations in force when these consolidated financial statements were prepared, are as follows:

a) Business combinations and goodwill (Note 7)

Business combinations are accounted for by applying the acquisition method. Accordingly, acquisition cost is measured at the fair value, at the acquisition date, of the assets delivered, liabilities incurred or assumed and the equity instruments issued by the acquirer in exchange for control over the acquiree.

The cost of the business combination is allocated at the acquisition date by recognising all the identifiable assets, liabilities and contingent liabilities of the acquiree which meet the criteria for recognition under IFRS 3 at fair value. The excess of the cost of a business combination over the acquiree's allocated assets, liabilities and contingent liabilities is recognised as goodwill, which, accordingly, represents advance payments made by the Colonial Group for future economic benefits generated by the assets of the acquiree that are not individually and separately identifiable and recognisable.

If the cost of the business combination is less than the acquiree's assets, liabilities and contingent liabilities acquired, the difference is recognised in profit or loss for the year in which it is incurred.

The Parent’s directors make a provisional allocation of the purchase price for the business combination at the acquisition date; this initial assessment is re-evaluated, as appropriate, within 12 months from the date control is obtained.

Goodwill is allocated by the Parent’s directors to the various cash generating units (CGUs) expected to benefit from the business combination synergies, regardless of other acquired assets and liabilities that are allocated to these CGUs or groups of CGUs.

The Parent’s directors test each CGU for impairment at year-end or whenever there are indications that the CGU has suffered an impairment loss by comparing the carrying amount of the aforementioned CGU, including allocated goodwill, with its recoverable amount

If the CGU’s recoverable amount exceeds its carrying amount, the CGU and its allocated goodwill are not considered to be impaired. Otherwise, the Group recognises an impairment loss using the following criteria:

- First, the goodwill allocated to the CGU is reduced and, where the impairment loss exceeds this amount,

- The impairment loss is distributed over the CGU’s remaining assets in proportion to their respective carrying amounts.

Impairment losses recognised for goodwill may not be reversed subsequently.

b) Property, plant and equipment (Note 8)

Property for own use

Property for own use, including office furniture and equipment, are recognised at acquisition cost less any accumulated depreciation and any impairment.

Historical cost includes expenses directly attributable to the acquisition of the properties.

Subsequent costs are capitalised or recognised as a separate asset only when it is probable that the future benefits associated with ownership of the asset will flow to the Group and its cost can be determined reliably. Maintenance and upkeep expenses are charged to the consolidated statement of comprehensive income in the year incurred.

Other property, plant and equipment

The assets included under “Other property, plant and equipment” are measured at acquisition cost less accumulated depreciation and impairment, revalued pursuant to the applicable enabling legislation. Subsequent additions were measured at cost.

The costs of expansion, modernisation or improvement leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of assets are capitalised as an increase in the cost of the related assets, while upkeep and maintenance costs are expensed currently.

Group companies depreciate their property, plant and equipment for own use and other items of property, plant and equipment using the straight-line method at annual rates based on the years of estimated useful life. The years of estimated useful life for property for own use located in Spain and France are as follows:

	Years of estimated useful life	
	Spain	France
Properties		
Buildings	50	50
Fixtures	10 to 15	10 to 50
Other installations	5 to 20	10 to 50
Other property, plant and equipment	3 to 10	5 to 40

Gains or losses recognised on the sale or retirement of an asset recognised under this heading are stated at the difference between net carrying amount and the sale price, and are taken to the consolidated statement of comprehensive income under “Other operating expenses – External services and other expenses” (Note 20-d).

c) Investment property (Note 9)

Investment property is carried at fair value at the reporting date and is not depreciated. Investment property comprises land, buildings or other constructions held to earn rents or for capital appreciation upon disposal due to future increases in their respective market prices.

The gains or losses arising from fluctuations in the fair value of investment property are taken to income in the same period in which they occur, and are recognised under “Change in fair value of investment property” in the consolidated statement of comprehensive income. These gains or losses are not included in operating profit as the changes in valuation are not directly within the control of the Group’s management.

Assets are transferred from investment property in progress to investment property when they are ready for use.

When the Group recognises in the carrying amount of an asset the cost of a replacement for part of an investment property, it derecognises the carrying amount of the replaced part, recognising the impact under "Impairment charges and net gains/(losses) on assets" in the consolidated statement of comprehensive income. If the fair value of the assets replaced cannot be reliably determined, the cost of the replacement is included in the carrying amount of the property, whose fair value is later reassessed periodically on the basis of appraisals performed by independent experts.

In accordance with IAS 40, the Group calculates the fair value of its investment property on a regular basis. Fair value is determined based on the valuations made by independent experts (Jones Lang LaSalle in Spain and CB Richard Ellis Valuation, Jones Lang LaSalle and Atis Real in France, in both 2014 and 2013) at the date of preparing the consolidated statement of financial position, so that the year-end fair values for investment property items reflect prevailing market conditions. The valuation reports prepared by independent experts contain only the standard warnings and disclaimers concerning the scope of the findings of the appraisals carried out, referring basically to the comprehensiveness and accuracy of the information provided by the Group.

The methodology used to determine the market value of the Group's investment property in 2014 and 2013 is the income capitalisation method, which consists of capitalising the net estimated income generated by each property over the rental period and on reversion. This involves the capitalisation of the actual income throughout the period, together with a valuation of estimated future rents after updating the rents or formalising new lease agreements in each period, based on current values in each case. The yield applied to each category of income reflects all the forecasts and risks associated with the cash flows and the investment.

The properties were assessed individually, considering each of the lease agreements in force at the end of the reporting period. Buildings with unlet floor space were valued on the basis of future estimated rentals, net of an estimated letting period.

The key inputs in this valuation method are the determination of net income, the period of time over which they are discounted, the estimated realisable value at the end of each period and the target internal rate of return used to discount the cash flows.

The estimated yields are mainly determined by the type, age and location of the properties, by the technical quality of the asset, as well as the type of tenant and occupancy rate, among others.

The yields and other assumptions used in determining future cash flows in 2014 and 2013 are set out in the tables below:

	Gross		Net
Yields (%) – Offices	31 December 2014	31 December 2013	31 December 2013
Barcelona – Prime Yield			
Leased out	6.31	6.65	6.39
Total portfolio	6.32	6.65	6.39
Madrid – Prime Yield			
Leased out	5.80	6.48	6.20
Total portfolio	5.80	6.51	6.24
Paris – Prime Yield			
Leased out	4.54	5.12	5.12
Total portfolio	4.54	5.13	5.13

Assumptions made at 31 December 2014					
Rental increases (%) - Offices	Year 1	Year 2	Year 3	Year 4	Year 5 and thereafter
Barcelona					
Leased out	2.5	2.5	2.5	2.5	2.5
Total portfolio	2.5	2.5	2.5	2.5	2.5
Madrid					
Leased out	2.5	2.5	2.5	2.5	2.5
Total portfolio	2.5	2.5	2.5	2.5	2.5
Paris					
Leased out	0.5	1.5	2.0	2.0	2.0
Total portfolio	0.5	1.5	2.0	2.0	2.0

Assumptions made at 31 December 2013					
Rental increases (%) - Offices	Year 1	Year 2	Year 3	Year 4	Year 5 and thereafter
Barcelona					
Leased out	2.5	2.5	2.5	2.5	2.5
Total portfolio	2.5	2.5	2.5	2.5	2.5
Madrid					
Leased out	2.5	2.5	2.5	2.5	2.5
Total portfolio	2.5	2.5	2.5	2.5	2.5
Paris					
Leased out	0.2	2.3	2.0	2.3	2.3
Total portfolio	0.2	2.3	2.0	2.3	2.3

A change of one-quarter of one point in yields would have the following impact on the valuations used by the Group at 31 December 2014 and 2013 to determine the value of its investment property:

	Thousands of euros		
Sensitivity of valuations to changes of one-quarter of one point in the yield	Valuation	Decrease of one-quarter of one point	Increase of one-quarter of one point
December 2014	5,757,247	+307,574	-302,901
December 2013	5,039,038	+266,354	-241,224

Note: the effect detailed in the above table refers to the assets of the Group's property rental segment. It does not include the sensitivity in respect of investment property in progress.

The table below details the borrowing costs capitalised in 2014 and 2013 (Note 20-g):

	Thousands of euros	
	Amount capitalised during the period	Average interest rate
2014:		
SFL subgroup	7,473	3.52%
Total 2014:	**7,473**	**-**
2013:		
Inmobiliaria Colonial, S.A.	48	2.97%
SFL subgroup	10,937	3.59%
Total 2013:	**10,985**	**-**

The rental income earned in 2014 and 2013 from the lease of investment properties amounted to 211,477 thousand and 213,111 thousand euros, respectively (Note 20-a), and is recognised under "Revenue" in the accompanying consolidated statement of comprehensive income.

In addition, the bulk of repair and maintenance expenses incurred by the Colonial Group in connection with the operation of its investment properties is passed on to the respective lessees (Note 4-q).

Assets held under finance leases

The rights of use and purchase options arising from property, plant and equipment and investment properties classified as finance leases are recorded at the asset's cash value at acquisition, according to the underlying asset whenever the lease terms transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group. At 31 December 2014 and 2013, all these rights related to investment property and are therefore measured at market value and are not depreciated.

"Bank borrowings and other financial liabilities" (Note 14), both current and non-current, in the consolidated statement of financial position include the total liability from lease payments at their present value less deferred expenses. Financial transaction expenses are charged to the consolidated statement of comprehensive income each time a lease payment is made throughout the life of the lease in accordance with financial criteria.

All other leases are deemed to be operating leases and are expensed on an annual accrual basis.

d) Impairment of property, plant and equipment

At each reporting date, the Colonial Group assesses the carrying amounts of its property, plant and equipment to determine if there are indications that the assets have been impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash inflows that are independent of those from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount; however, the increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

e) Financial instruments (excluding derivative financial instruments)

Financial assets (Notes 10 and 12)

Initial measurement

Financial assets are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs.

Classification and subsequent measurement

The financial assets held by the Group are classified into the following categories:

- Investments accounted for using the equity method are carried at the Group's share of the associate's equity, adjusted for unrealised gains at the time of acquisition.

- Available-for-sale financial assets include investments where the Group does not exercise significant influence or control. They are measured at fair value, using either market value or other valuation methods such as discounted cash flow analysis. When it is not possible to determine fair value, they are measured at amortised cost.

  Available-for-sale financial assets are measured at fair value. Fair value gains and losses are recognised in equity until the asset is disposed of or is determined to be impaired (on a prolonged or permanent basis), at which point the cumulative gains or losses are reclassified to the consolidated statement of comprehensive income.

- Loans and receivables include the credit facilities granted to third parties and associates. They are measured at their nominal value and classified according to maturity. This heading also includes non-current deposits and guarantees granted, primarily in relation to deposits made with official entities in connection with security deposits collected from lessees, in accordance with prevailing legislation.

- Non-derivative financial assets include current and non-current fixed-income securities which are generally held until maturity and measured at amortised cost. Short-term fixed income securities are recognised under "Current financial assets" in the consolidated statement of financial position. Interest income is calculated in the year in which it accrues on a time proportion basis.

Financial liabilities (Note 14)

Financial liabilities consist primarily of loans from banks and are recognised at amortised cost.

Accounts payable are initially recognised at the fair value of the consideration received, adjusted for directly attributable transaction costs, and subsequently measured at amortised cost.

Financial liabilities are derecognised when the obligations giving rise to them cease to exist. When a debt instrument swap takes place between the Group and a third party, as long as these instruments have substantially different conditions, the Group derecognises the original financial liability and recognises the new financial liability. The difference between the carrying amount of the original liability and the payment received, including any attributable transaction costs, is recognised in the consolidated statement of comprehensive income.

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

f) Receivables (Note 12)

Receivables are carried at recoverable value, i.e., net, where applicable, of the provisions recognised to cover past-due balances where circumstances warrant their consideration as bad debts.

At 31 December 2014 and 2013, the Group had no significant receivables past due but not impaired.

g) Cash and cash equivalents (Note 14)

This heading includes bank deposits, carried at the lower of cost or market value.

h) Own equity instruments (Note 13)

An equity instrument represents a residual interest in the assets of the Parent after deducting all of its liabilities.

Equity instruments issued by the Parent are recognised in equity at the proceeds received, net of direct issue costs.

Any Parent shares acquired during the year are recognised as a deduction from equity at the value of the consideration paid. Any gains or losses on the purchase, sale, issue or cancellation of own equity instruments are recognised directly in equity and not in the consolidated statement of comprehensive income.

i) Provisions and contingent liabilities (Notes 17 and 19)

In preparing the consolidated financial statements, the Parent's directors distinguish between:

- Provisions: credit balances covering obligations arising as a consequence of past events which could give rise to liabilities at the Group companies, the nature of which is certain but the amount and timing of which cannot be determined, and

- Contingent liabilities: possible obligations arising as a consequence of past events, depending on the occurrence of one or more future events over which the consolidated companies do not have control.

The consolidated financial statements include all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled (Note 17). Contingent liabilities are not recognised, but are disclosed in Note 19.

The provisions, which are quantified taking into consideration the best information available concerning the consequences of the events on which they are based, and which are revised at each reporting close, are recognised in order to cover the specific and likely risks for which they were originally recognised, and are fully or partially reversed if and when said risks cease to exist or are reduced.

j) Employee benefits

Termination benefits

Under current legislation, the Group is required to pay severance to employees terminated under certain conditions. Severance payments which can be reasonably quantified are recorded as an expense in the year in which the decision to terminate the contract is taken and a valid expectation regarding termination is transmitted to third parties. At 31 December 2014, the Parent recorded a provision in this connection for 277 thousand euros.

Pension obligations (Note 17)

At 31 December 2014, the SFL subgroup had several defined-benefit pension plans. Defined benefit obligations are calculated periodically by independent actuarial experts. The actuarial assumptions currently used to calculate these liabilities are adapted to applicable French legislation, in accordance with IAS 19. The actuarial cost recorded in the consolidated statement of comprehensive income in relation to said plans is the sum of the service costs for the period, interest expense and actuarial gains and losses.

Share-based payments (Note 21)

The Group recognises the goods and services received as an asset or an expense, depending on their nature, when they are received, along with an increase in equity if the transaction is settled using equity instruments or the corresponding liability if the transaction is settled at an amount based on the value of the equity instruments.

In the case of transactions settled with equity instruments, both the services rendered and the increase in equity are measured at the grant-date fair value of the equity instruments delivered. If, on the other hand, they are settled in cash, the goods and services received and the corresponding liability are recognised at the fair value of the goods and services received as of the date on which the recognition requirements are met.

k) Derivative financial instruments (Note 15)

The Group uses financial derivatives to manage its exposure to variations in interest rates. All derivative financial instruments, whether or not designated as hedging instruments, are carried at fair value: market value in the case of listed securities, or according to option valuation methods or discounted cash flow analysis for non-listed securities. The fair value of the derivative financial instruments is determined based on the valuations made by independent experts (Solventis in 2014 and 2013).

The following valuation criteria have been applied:

- Cash-flow hedges: fair value gains or losses arising on transactions which classify for hedge accounting are recorded, net of taxes, directly in equity, under “Valuation adjustments recognised in equity - financial instruments”, until the underlying or expected transaction occurs, at which point gains and losses are released to the consolidated statement of comprehensive income. Any valuation gains and losses on the ineffective portion of the hedge are recognised directly in the consolidated statement of comprehensive income.

- Treatment of financial instruments which are not allocated to a specific liability and do not qualify for hedge accounting: fair value changes in these financial instruments are recognised directly in the consolidated statement of comprehensive income.

In accordance with IFRS 13, the Group estimated the credit risk in the measurement of its derivative portfolio.

Hedge accounting is discontinued when a hedging instrument expires or is sold or exercised, or when the hedge no longer qualifies for hedge accounting. Gains or losses on hedging instruments accumulated directly in equity remain in equity until the related transaction materialises. Once the related cash flow occurs, any cumulative gain or loss recognised in equity is transferred to the consolidated statement of comprehensive income for the year. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the period.

The Group's use of financial derivative products is governed by a set of written policies and principles which has been approved by the Parent's Board of Directors.

l) Current / non-current

The normal operating cycle is understood to be the period of time between the acquisition of assets that form part the Group's various business activities and the realisation of the finished assets in the form of cash or cash equivalents.

The Group's main activity is the rental business, the normal cycle of which is considered to correspond to the calendar year; consequently, assets and liabilities maturing in one year or less are classified as current and those maturing thereafter as non-current.

Bank borrowings are classified as non-current if the Group has the irrevocable right to make payments after twelve months from the end of the reporting period.

m) Income tax (Note 18)

General regime

The expense for Spanish corporate income tax and analogous taxes applicable to consolidated foreign operations is recognised in the consolidated statement of comprehensive income, except when the tax expense is generated by a transaction the gains on which are taken directly to equity, in which case the corresponding tax is also recognised in equity.

Income tax expense is the sum of the tax payable on profit for the year and the variation in recognised deferred tax assets and liabilities.

Corporate income tax expense for the year is calculated based on taxable profit for the year, which differs from the net profit or loss presented in the consolidated statement of comprehensive income because it excludes certain taxable income and deductible expenses from prior years, as well as other exempt items. The Group's current tax liabilities are calculated using tax rates that have been enacted or substantively enacted by the reporting date.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that they will be recovered through future taxable profits. In accordance with IAS 12, changes in deferred tax assets and liabilities caused by changes in tax rates or tax laws are recognised in the consolidated statement of comprehensive income for the year in which these changes are approved.

The Parent heads a group of companies filing consolidated tax returns under tax group no. 6/08.

SIIC regime – SFL subgroup

Since 1 January 2003, the SFL subgroup companies file under the French tax regime applicable to listed real estate investment companies ("the SIIC regime"). This regime enabled the recognition at market value of assets allocated to the rental business at 1 January 2003, subject to a tax rate of 16.5% ("exit tax"), payable within a period of four years, on the capital gains from the asset revaluations recorded for accounting purposes as of this date.

This regime affects only real estate activities, and is not applicable to companies engaged in sales and services, such as Segpim, S.A. and Locaparis SAS in the SFL subgroup, to properties under finance leases (unless the lease is cancelled early) or to the subgroups and joint ventures.

This regime affords the SFL subgroup an exemption from taxes on earnings generated by the rental business and on capital gains generated by the sale of properties, provided that 85% of profit from that activity and 50% of the capital gains obtained on property sales of companies availing themselves of such arrangement are distributed each year in the form of dividends. From 1 January 2014, these percentages rose to 95% and 60%, respectively.

On 30 December 2006, a new amendment to the SIIC regime was passed (“SIIC 4”) which stipulated, inter alia, the following:

- To be able to continue under this regime, the maximum holding an individual shareholder may own in an SIIC company is 60%. A two-year transition period was established for meeting this requirement, which meant a deadline of 30 December 2008.

- Dividends paid annually to shareholders that hold, directly or indirectly, more than 10% of the capital of an SIIC and which are exempt from tax or are subject to a tax that is less than two-thirds of the standard French income tax rate would be subject to a 20% levy, payable by the SIIC company. This rule applies to dividends distributed from 1 July 2007.

On 18 December 2008, a new amendment to the SIIC regime (“SIIC 5”) was approved, postponing the deadline for limiting the maximum holding of a single shareholder in an SIIC company to 60% until 1 January 2010. The Parent holds an ownership interest of less than 60% in SFL.

At 31 December 2007, the Parent notified SFL that dividends distributed from 1 July 2007 would be taxed in Spain at a rate of over 11.11% as a result of the partial application of the deduction for double taxation of these dividends. As a result, the 20% withholding described above is not being applied.

n) Recognition of revenue and expenses (Note 20)

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

As a result of the application of IFRSs, the Group recognises all accrued revenue and associated expenses. Revenue from goods sold is recognised when the goods have been delivered and ownership transferred.

Income from dividends on financial investments is recognised once the shareholders’ right to receive the dividend is established.

Operating leases

Leases are classified as finance leases whenever their terms imply that substantially all the risks and rewards incidental to ownership of the leased asset have been transferred. All other leases are classified as operating leases. At 31 December 2014 and 2013, all of the Group’s leases qualified as operating leases, except for the finance leases indicated in Note 9.

Income and expenses deriving from operating leases are recognised in the consolidated statement of comprehensive income in the year in which they accrue.

Any collection or payment that might be made when arranging an operating lease will be treated as a prepaid lease collection or payment, which will be allocated to the consolidated statement of comprehensive income over the lease term as the benefits of the leased asset are provided or received.

o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of property developments (Note 4-c), which are assets that require preparation during a significant period of time for their intended use or sale, are capitalised until these assets are substantially in condition for their intended use or sale (Note 9).

p) Consolidated statement of cash flows (indirect method)

The terms used in the consolidated statement of cash flows are defined as follows:

- Cash flows: inflows and outflows of cash and cash equivalents, which are highly liquid short-term investments subject to an insignificant risk of changes in value.

- Operating activities: principal revenue-producing activities and other activities that are not investing or financing activities.

- Investing activities: the acquisition or disposal 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 the contributed equity and borrowings that are not operating activities.

q) Costs passed on to lessees

In accordance with IFRSs, the Group does not consider costs passed on to lessees of its investment property as revenue. In 2014 and 2013, the Group invoiced 40,616 thousand and 42,860 thousand euros, respectively, in connection with costs passed on to lessees, recognising them as a reduction in the related expense heading in the consolidated statement of comprehensive income.

Direct operating expenses associated with investment properties which generated rental income during the years ended 31 December 2014 and 2013, included under “Operating profit” in the accompanying consolidated statements of comprehensive income, amounted to 61,374 thousand and 63,309 thousand euros, respectively. Expenses incurred in connection with investment properties that did not generate rental income were not material.

r) Related party transactions

The Group’s transactions with related parties are all carried out at market prices. Furthermore, the transfer prices applied are fully documented and supported and the Parent’s directors therefore do not consider that transfer prices pose a significant risk that could give rise to a material liability in the future.

s) Non-current assets held for sale and discontinued operations (Note 24)

s.1) Non-current assets held for sale

Non-current assets held for sale are measured at the lower of their carrying amount in accordance with applicable measurement rules and fair value less costs to sell.

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. This condition is met when the sale of the asset is considered highly probable, the asset is in condition to be sold immediately and the sale is expected to be fully realised within a period of no more than twelve months from its classification as a held-for-sale asset.

The Colonial Group classifies non-current assets as assets held for sale when the Board of Directors or Executive Committee has officially approved the disposal and the sale is considered highly probable within a period of twelve months. The accompanying consolidated statement of financial position includes under this heading all the assets which at the date of authorising these consolidated financial statements for issue met all the requirements for classification as held for sale.

s.2) Discontinued operations

Discontinued operations consist of the sale, disposal in other ways or classification as “held for sale” of a component of the Group, which in addition:

- represents a separate major line of business or geographical area of operations,

- is part of an individual coordinated plan to dispose of a separate major line of business or geographical area of operations, or

- is a subsidiary acquired exclusively with a view to resale.

In keeping with the above, the Group considers that sales of investment properties (non-current assets) made as part of its ordinary business activities and included in the asset rotation plan should be classified as held for sale in the consolidated statement of financial position, to the extent they meet the conditions for such classification but do not require disclosure as discontinued operations, as they do not meet the requirements established above.

When a transaction qualifies as a discontinued operation, the Group presents the profit after tax of this discontinued operation under a single heading in the consolidated statement of comprehensive income, together with the possible loss resulting from its recognition at the lower of its carrying amount and fair value, less costs to sell, and the loss or gain if the asset is disposed of.

At 31 December 2013, the Parent carried its interest in the subgroup, the parent of which is Asentia Project, S.L.U., as a non-current asset held for sale and the activity of its land and development business segment as a discontinued operation.

As indicated in Note 2-f, on 25 February 2014 the interest in Asentia Project, S.L.U. was no longer included in Colonial's scope of consolidation.

t) Fair value hierarchy

Assets and liabilities measured at fair value are classified according to the following hierarchy established in IFRS 7 and IFRS 13:

- Level 1: Inputs are based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: Inputs are based on quoted prices for similar assets or liabilities in active markets (not included in level 1), prices quoted for identical or similar assets or liabilities in markets that are not active, techniques based on valuation models for which all relevant inputs are observable in the market or can be corroborated by observable market data.

- Level 3: In general, inputs are unobservable and reflect estimates based on market assumptions to determine the price of the asset or liability. Unobservable data used in the valuation models are significant in the fair values of the assets and liabilities.

In accordance with IFRS 13, the Group estimated the bilateral credit risk in order to reflect both its own risk, as well as counterparty risk in the fair value of its derivatives (Note 4-k). Credit risk at 31 December 2014 was not considered to be material.

The detail of the Group's asset and liabilities measured at fair value according to the aforementioned levels at 31 December 2014 is as follows:

	Thousands of euros		
	Level 1	Level 2	Level 3
Assets			
Investment property	-	-	5,663,309
Derivative financial instruments (*)	-	1,884	-
Non-current assets held for sale	-	-	16,539
Total assets	**-**	**1,884**	**5,679,848**
Liabilities			
Bank borrowings and other liabilities	-		1,541,814
Bonds and similar securities issued (**)	1,251,121	-	-
Derivative financial instruments (*):			
Cash flow hedges	-	7,787	-
Not classified as hedges	-	5,582	-
Total liabilities	**1,251,121**	**13,369**	**1,541,814**

(*) At 31 December 2014, the fair value of the derivative financial instruments did not differ significantly from the carrying amount recognised in the accompanying consolidated balance sheet (Note 15).
(**) At 31 December 2014, the carrying amount of the bonds issued by SFL was 1,200,000 thousand euros (Note 14).

5. Earnings per share

Basic earnings per share are calculated by dividing earnings for the year attributable to shareholders of the Parent (after tax and non-controlling interests) by the weighted average number of ordinary shares outstanding during that year.

Diluted earnings per share are calculated in a manner similar to basic earnings per share, except that the weighted average number of shares outstanding is adjusted to take into account the potential dilutive effect of the convertible bonds outstanding at year-end. At 31 December 2014, all the outstanding bonds at 31 December 2013, amounting to 15,184, were converted into shares of the Parent (Note 13).

	Thousands of euros	
	31 December 2014	31 December 2013
Consolidated profit/(loss) for the year attributable to shareholders of the Parent:	**491,994**	**(546,928)**
- from continuing operations	(208,746)	(164,324)
- from discontinued operations	700,740	(382,604)
	No. of shares	No. of shares
Weighted average number of ordinary shares (in thousands)	2,156,420	224,209
Number of potential ordinary shares resulting from the conversion of bonds (in thousands)	-	80
Weighted average number of ordinary shares diluted (in thousands)	2,156,420	224,209
	Euros	Euros
Basic and diluted earnings per share:	**0.228**	**(2.439)**
- from continuing operations	(0.097)	(0.733)
- from discontinued operations	0.325	(1.706)

6. Segment reporting

Segmentation criteria

Segment reporting is organised, firstly, on the basis of the Group's business segments, and, secondly, by geographical segment.

The business segments described below have been defined in line with the Colonial Group's organisational structure at 31 December 2014, which has been used by the Group's management to analyse the financial performance of the various operating segments.

Until the date on which effective control over the Asentia subgroup was lost (Note 2-f), the Group was organised along the following main business segments, which formed the basis on which the Group presented the information on its primary segments:

- The rental business, which includes office rentals. The Parent's management monitors its rental activities for each one of the markets in which the Group operates. The Barcelona, Madrid and Paris operating segments reflect the organisational structure of the Colonial Group.

- The land and development business, which includes the shopping centres managed by the Riofisa subgroup.

- Revenue and expenses which are not directly related and allocated to these lines of business are allocated to the "Corporate Unit".

Following the deconsolidation of Asentia, all of the Group's activities were carried out in Spain and France within the property rental segment.

Basis and methodology for business segment reporting

The segment information below is based on monthly reports prepared by Group management, generated using the same computer application that prepares all of the Group's accounting data.

Segment revenue comprises revenue directly attributable to each segment, as well as gains from the sale of investment properties. Segment revenue excludes both interest and dividend income. The Group has included within segment revenue its share of revenue of proportionally consolidated joint ventures.

Segment expenses comprise operating expenses directly attributable to each segment and losses on the sale of investment properties. Allocated expenses do not include interest expense, income tax or general administrative expenses incurred in the provision of general services that are not directly allocated to any business segment and that cannot be so allocated following any rational criteria. Segment expenses include the share of expenses of proportionately consolidated joint ventures.

Segment assets and liabilities are those directly related to that business' activities and operations. They include the share of assets/liabilities of proportionately consolidated joint ventures. The Group has no set criteria for allocating borrowings or equity by business segment. Borrowings are attributed in full to the "Corporate Unit".

Segment information for these businesses is as follows:

2014 segment reporting

	Thousands of euros							
	Rentals					**Development & land**	**Corporate Unit**	**Total Group**
	Barcelona	Madrid	Paris	Other	Total rentals			
Revenue	28,088	32,542	153,453	-	214,083	-	-	**214,083**
Revenue (Note 20-a)	27,525	32,444	151,508	-	211,477	-	-	**211,477**
Other income (Note 20-b)	563	98	1,945	-	2,606	-		**2,606**
Net gain/(loss) on sales of assets (Notes 20-f)	(27)	-	-	-	(27)	-	-	**(27)**
Operating profit/(loss)	23,400	28,070	121,521	(321)	172,670	-	(57,764)	**114,906**
Change in fair value of investment property (Note 20-f)	22,244	83,777	227,542	(1,610)	331,953	-	-	**331,953**
Impairment charges and net gains/(losses) on assets (Note 20-e)	(623)	(4,296)	-	-	(4,919)	-	(119,660)	**(124,579)**
Financial loss (Note 20-g)	-	-	-	-	-	-	(218,873)	**(218,873)**
Profit before tax	-	-	-	-	-	-	103,407	**103,407**
Consolidated net loss from continuing operations	-	-	-	-	-	-	(72,376)	**(72,376)**
Profit from discontinued operations	-	-	-	-	-	700,861	-	**700,861**
Consolidated net profit	-	-	-	-	-	-	628,485	**628,485**
Net loss attributable to non-controlling interests (Notes 20-i)	-	-	-	-	-	-	(136,491)	**(136,491)**
Net profit attributable to shareholders of the Parent (Note 5)	-	-	-	-	-	-	491,994	**491,994**

There were no significant inter-segment transactions in 2014.

None of the Group’s customers represented more than 10% of the revenue from ordinary activities.

	Thousands of euros							
	Rentals					**Development & land**	**Corporate Unit**	**Total Group**
	Barcelona	Madrid	Paris	Other	Total rentals			
Assets								
Intangible assets, property, plant and equipment and investment property (Notes 8 and 9)	588,188	675,762	4,399,347	-	5,663,297	-	35,483	**5,698,780**
Financial assets	61,224	1,127	17,826	-	80,177	-	55,912	**136,089**
Other non-current assets	-	-	-	-	-	-	1,548	**1,548**
Trade receivables and other current assets	-	-	-	-	-	-	72,521	**72,521**
Non-current assets held for sale (Note 24)	-	6,994	-	9,545	16,539	-	-	**16,539**
Total	**649,412**	**683,883**	**4,417,173**	**9,545**	**5,760,013**	-	**165,464**	**5,925,477**

	Thousands of euros							
	Rentals					**Development & land**	**Corporate Unit**	**Total Group**
	Barcelona	Madrid	Paris	Other	Total rentals			
Liabilities								
Bank borrowings and other financial liabilities (Note 14)	-	-	-	-	-	-	1,553,419	**1,553,419**
Bonds and similar securities issued (Note 14)	-	-	-	-	-	-	1,204,339	**1,204,339**
Trade liabilities (suppliers and payables)	-	-	-	-	-	-	104,302	**104,302**
Other disclosures								
Investments in intangible assets, property, plant and equipment and investment property	24,719	3,313	358,686	-	386,718	-	237	**386,955**

	Thousands of euros							
	Rentals					Development & land	Corporate Unit	Total Group
	Barcelona	Madrid	Paris	Other	Total rentals			
Other disclosures								
Depreciation and amortisation charge	-	-	(1,011)	-	(1,011)	-	(433)	**(1,444)**
Expenses that do not entail outflows of cash other than the depreciation and amortisation charge for the year:								
Changes in provisions	7	(226)	290	-	71	-	(18,012)	**(17,941)**
Change in fair value of investment property (Note 20-f)	22,243	85,385	227,542	1	335,171	-	-	**335,171**
Impairment charges and net gains/(losses) on assets (Note 20-e)	(623)	(4,296)	-	-	(4,919)	-	(119,660)	**(124,579)**

2013 segment reporting

	Thousands of euros							
	Rentals					**Development & land**	**Corporate Unit**	**Total Group**
	Barcelona	Madrid	Paris	Other	Total rentals			
Revenue	28,653	36,730	151,823	-	217,206	-	-	**217,206**
Revenue (Note 20-a)	28,359	35,437	149,315	-	213,111	-	-	**213,111**
Other income (Note 20-b)	294	1,293	2,508	-	4,095	-		**4,095**
Net gain/(loss) on sales of assets (Notes 20-f)	(1,855)	(5,024)	(2,177)	-	(9,056)	-	-	**(9,056)**
Operating profit/(loss)	22,041	27,895	136,229	(108)	186,057	-	(55,865)	**130,192**
Change in fair value of investment property (Note 20-f)	(49,344)	(60,739)	147,291	222	37,430	-	-	**37,430**
Impairment charges and net gains/(losses) on assets (Note 20-e)	-	-	-	-	-	-	(649)	**(649)**
Financial loss (Note 20-g)	-	-	-	-	-	-	(192,000)	**(192,000)**
Loss before tax	-	-	-	-	-	-	(25,027)	**(25,027)**
Consolidated net loss from continuing operations	-	-	-	-	-	-	(59,844)	**(59,844)**
Profit/(loss) from discontinued operations (Note 24)	6	(8,265)	-	(24,419)	(32,678)	(363,964)	(8,410)	**(405,052)**
Consolidated net loss	-	-	-	-	-	-	(464,896)	**(464,896)**
Net profit attributable to non-controlling interests (Notes 20-i)	-	-	-	-	-	-	82,032	**82,032**
Net loss attributable to shareholders of the Parent (Note 5)	-	-	-	-	-	-	(546,928)	**(546,928)**

There were no significant inter-segment transactions in 2013, except for the commitments arising from the debt restructuring of Desarrollos Urbanísticos Entrenúcleos, S.L.U., a company that belongs to the Asentia subgroup, which is not currently included in the scope of consolidation (Note 2-f).

None of the Group's customers represented more than 10% of the revenue from ordinary activities.

	Thousands of euros							
	Rentals					**Development & land**	**Corporate Unit**	**Total Group**
	Barcelona	Madrid	Paris	Other	Total rentals			
Assets								
Goodwill (Note 7)	-	-	120,000	-	120,000	-	-	**120,000**
Intangible assets, property, plant and equipment and investment property (Notes 8 and 9)	542,987	556,881	3,818,212	-	4,918,080	-	32,973	**4,951,053**
Financial assets	36,279	(874)	4,813	-	40,218	-	21,699	**61,917**
Investments accounted for using the equity method (Note 10)	-	-	302,341	-	302,341	-	-	**302,341**
Other non-current assets	-	-	-	-	-	-	173,301	**173,301**
Trade receivables and other current assets	-	-	-	-	-	-	68,471	**68,471**
Non-current assets held for sale (Note 24)	-	43,082	-	11,155	54,237	788,511	-	**842,748**
Total	**579,266**	**599,089**	**4,245,366**	**11,155**	**5,434,876**	**788,511**	**296,444**	**6,519,831**

	Thousands of euros							
	Rentals					**Development & land**	**Corporate Unit**	**Total Group**
	Barcelona	Madrid	Paris	Other	Total rentals			
Liabilities								
Bank borrowings and other financial liabilities (Note 14)	-	-	-	-	-	-	2,687,416	**2,687,416**
Bonds and similar securities issued (Note 14)	-	-	-	-	-	-	1,009,206	**1,009,206**
Trade liabilities (suppliers and payables)	-	-	-	-	-	-	101,220	**101,220**
Other disclosures								
Investments in intangible assets, property, plant and equipment and investment property	4,964	6,732	143,152	-	154,848	-	283	**155,131**

	Thousands of euros							
	Rentals					**Development & land**	**Corporate Unit**	**Total Group**
	Barcelona	Madrid	Paris	Other	Total rentals			
Other disclosures								
Depreciation and amortisation charge	(1)	-	(434)	-	(435)	-	(1,055)	**(1,490)**
Expenses that do not entail outflows of cash other than the depreciation and amortisation charge for the year:								
Changes in provisions	(60)	1,117	367	-	1,424	-	(19,106)	**(17,682)**
Change in fair value of investment property (Note 20-f)	(49,344)	(60,739)	147,291	222	37,430	-	-	**37,430**
Impairment charges and net gains/(losses) on assets (Note 20-e)	-	-	-	-	-	-	(649)	**(649)**

7. Goodwill

The changes in “Goodwill” in the consolidated statement of financial position in 2014 and 2013 were as follows:

	Thousands of euros
Balance at 31 December 2012	**120,000**
Impairment	-
Balance at 31 December 2013	**120,000**
Impairment	(120,000)
Balance at 31 December 2014	**-**

Goodwill included that arising from the business combination between the current Inmobiliaria Colonial, S.A. (formerly, Inmocaral Servicios, S.A.) and Inmobiliaria Colonial, S.A. (absorbed company).

To test the goodwill allocated to the rental business CGU for impairment, the Parent’s management relied on historical Group data for the Spanish and French businesses, making rental projections for the properties already leased, as well as factoring in management and administrative cost assumptions.

Since 2012, goodwill has been entirely allocated to the French rentals business. Consequently, the impairment testing of goodwill carried out at year-end 2013 and 2012 relied only on the cash flows of the Group's rentals business in France.

The basic assumptions used for the impairment test at 31 December 2013 (Note 4-a) are shown in the table below:

	2013
Projection period (years)	10
Asset rotation rate, %	5% annual
France	
Discount rate	5.80%
Nominal growth rate (“g”)	1.50%
Yield on investment, % (Note 4-c)	6.00%

In June 2014, the Parent's directors re-assessed the recoverability of goodwill, considering mainly the effect of the sale of the interest held in SIIC de Paris, which materialised in July 2014 (Notes 2-f and 24) and the positive trend in the value of SFL's property assets (Note 6). This eliminated the difference between the recoverable amount of SFL's assets considered in the impairment test and their fair value, determined based on the assessments carried out by independent third parties, and gave rise to a gain of 227,542 thousand euros as a result of changes in value of SLF's investment property in 2014 (Note 20-f). As a result of this verification, the impairment on all this goodwill was recognised under “Impairment charges and net gains/(losses) on assets” in the consolidated statement of comprehensive income and amounted to 120,000 thousand euros (Note 20-e).

8. Property, plant and equipment

The movement in property, plant and equipment in 2014 and 2013 was as follows:

	Thousands of euros								
	Property for own use			Other property, plant and equipment		Total			
	Cost	Accumulated depreciation	Impairment	Cost	Accumulated depreciation	Cost	Accumulated depreciation	Impairment	**Total**
Balance at 31 December 2012	**43,095**	**(6,697)**	**(8,299)**	**10,500**	**(4,330)**	**53,595**	**(11,027)**	**(8,299)**	**34,269**
Additions or charges	-	(289)	(649)	152	(819)	152	(1,108)	(649)	(1,606)
Decreases	-	-	-	(166)	166	(166)	166	-	-
Transfers	-	-	-	288	-	288	-	-	288
Balance at 31 December 2013	**43,095**	**(6,986)**	**(8,948)**	**10,774**	**(4,983)**	**53,869**	**(11,969)**	**(8,948)**	**32,952**
Additions or charges	15	(273)	-	73	(832)	88	(1,105)	-	(1,017)
Decreases	-	-	340	(82)	59	(82)	59	340	317
Transfers	-	-	-	789	(56)	789	(56)	-	733
Balance at 31 December 2014	**43,110**	**(7,259)**	**(8,608)**	**11,554**	**(5,812)**	**54,664**	**(13,071)**	**(8,608)**	**32,985**

At 31 December 2014 and 2013, the Group used two floors of the building located at Avenida Diagonal, 530, in Barcelona, one floor of the building located at Paseo de la Castellana, 52, in Madrid, and one floor of the building located at 42 rue Washington in Paris for its own use, while the rest of these buildings are rented out. The value of buildings used for the Group's own purposes is recognised in "Property for own use".

At 31 December 2014, the need to recognise a reversal of the asset impairment charge recognised in previous years in the amount of 340 thousand euros was evidenced by the appraisals performed by independent experts (Note 20-e). In 2013, an impairment loss of 649 thousand euros was recognised.

9. Investment property

The changes in this heading of the consolidated statement of financial position in 2014 and 2013 were as follows:

	Thousands of euros			
	Investment property	Investment property in progress	Prepayments	**Total**
Balance at 31 December 2012	**4,391,272**	**386,119**	**4,746**	**4,782,137**
Additions	13,647	132,304	8,000	**153,951**
Decreases	-	(6)	(6,077)	**(6,083)**
Transfers	120,930	(201,308)	-	**(80,378)**
Changes in fair value (Note 20-f)	76,542	(10,103)	-	**66,439**
Balance at 31 December 2013	**4,602,391**	**307,006**	**6,669**	**4,916,066**
Additions	261,767	120,981	3,095	**385,843**
Decreases	(5,067)	-	(3,184)	**(8,251)**
Transfers	149,837	(115,357)	-	**34,480**
Changes in fair value (Note 20-f)	336,034	(863)	-	**335,171**
Balance at 31 December 2014	**5,344,962**	**311,767**	**6,580**	**5,663,309**

Changes in 2014

In December 2014, SFL acquired a property in Paris (Condorcet) for 229,438 thousand euros. The Parent also acquired an asset located in Barcelona (Pza. Europa) for 10,587 thousand euros.

Additions in 2014 also include investments made in development and renovation projects, mainly at properties of the SFL subgroup, in the amount of 125,279 thousand euros, and at properties of the Parent amounting to 17,444 thousand euros.

A further property was transferred from "Non-current assets held for sale" to "Investment property – Investment property in progress" in the amount of 34,480 thousand euros. In addition, the costs of the refurbishment work and the partial renovation carried out on the properties of SFL were transferred from "Investment property in progress" to "Investment property".

Changes in 2013

Additions in 2013 primarily relate to development and renovation projects, mainly in properties of the SFL subgroup, in the amount of 142,507 thousand euros. The Parent made investments totalling approximately 12,531 thousand euros.

During the year, two of the Parent's properties were transferred from "Investment property" to "Investment property in progress" for a total of 62,291 thousand euros. Two properties were also transferred from "Investment property in progress" to "Investment property" upon completion of the corresponding refurbishment work for a total of 33,970 thousand and 182,873 thousand euros, respectively. One pertains to the Parent and the other to SFL.

Moreover, a property expected to be completed in the near term as part of the agreement reached with one of the Group's credit institutions was transferred to "Non-current assets held for sale" for an amount of 99,007 thousand euros. A further property was transferred from "Non-current assets held for sale" to "Investment property – Investment property in progress" in the amount of 18,200 thousand euros.

"Change in fair value of investment property" in the consolidated statement of comprehensive income includes a net gain on the value of investment property in 2014 and 2013 of 335,171 thousand and 66,439 thousand euros, respectively (Note 20-f). These changes reflect the changes in the fair value of the Group's investment properties evidenced by the independent property appraisals dated 31 December 2014 and 2013 (Note 4-c).

Other disclosures

The total surface area (above and under-ground) of investment property and projects under development at 31 December 2014 and 2013 is as follows:

	Total surface area (m^2) of investment property, continuing operations					
	For rental		Projects under development		Total	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Barcelona	283,995	252,370	33,227	49,617	317,222	301,987
Madrid	229,579	184,281	1,499	15,434	231,078	199,715
Rest of Spain	458	458	-	-	458	458
Paris (*)	372,050	353,947	87,115	76,781	459,165	430,728
	886,082	**791,055**	**121,841**	**141,832**	**1,007,923**	**932,888**

(*) Including 100% of the floor space of Washington Plaza (a property owned by SCI Washington, a Group company 66%-owned by SFL) and of the Haussmann, Champs Élysées, 82-88 and Champs Élysées, 90 buildings (owned by the Parholding subgroup, in which SFL holds a 50% interest (Note 2-f)).

At 31 December 2014, the Group pledged assets as collateral for mortgage loans, the carrying amount of which is 836,351 thousand euros (1,024,001 thousand euros at 31 December 2013).

The Parent also provided investment property as collateral for the new syndicated loan (Note 14), the carrying amount of which is 1,145,483 thousand euros. At 31 December 2014, the mortgage on the asset acquired by the Parent on 30 December had yet to be provided.

At 31 December 2014 and 2013, the Group had one property held under finance leases, the Prony – Wagram property owned by SFL. The following table shows the information relating to this lease:

Prony Wagram	Average lease term (years)	Average number of years elapsed	Thousands of euros		
			Asset's net carrying amount	Payments outstanding	
				Non-current	Current
31 December 2014	7	5.5	30,061	27,271	2,790
31 December 2013	7	4.5	32,851	30,061	2,790

10. Non-current financial assets

The changes in this heading of the consolidated statement of financial position in 2014 and 2013 were as follows:

	Thousands of euros				
	Balance at 31 December 2013	Acquisitions and charges	Disposals or decreases	Transfers to assets held for sale	Balance at 31 December 2014
Investments accounted for using the equity method (Notes 4-e and 24)	302,341	1,980	(9,455)	(294,866)	-
Deposits and guarantees given	7,409	2,661	-	-	10,070
Total	**309,750**	**4,641**	**(9,455)**	**(294,866)**	**10,070**

	Thousands of euros			
	Balance at 31 December 2012	Acquisitions and charges	Disposals or decreases	Balance at 31 December 2013
Investments accounted for using the equity method (Note 2-e)	286,560	24,847	(9,066)	302,341
Prepayments on investments (Note 19)	80,000	-	(80,000)	-
Financial instruments (Note 15)	84	-	(84)	-
Deposits and guarantees given	8,270	90	(951)	7,409
Impairment	(80,000)	-	80,000	-
Total	**294,914**	**24,937**	**(10,101)**	**309,750**

At 31 December 2014, the Parent held collection rights with Asentia and DUE for a nominal amount of 275,000 thousand (Note 13) and 72,451 thousand euros, respectively, each of which were valued at 0 euros. The DUE collection right relates to the obligations acquired by the Parent within the framework of the refinancing carried out in 2013 by this company, which at the time was fully controlled by the Group.

At 31 December 2014 and 2013, SFL had an ownership interest in the Vendôme-Rome Group of 1,071 thousand euros, which was fully impaired.

Investments accounted for using the equity method

The movement in "Investments accounted for using the equity method" in 2014 and 2013 is as follows:

	Thousands of euros
	SIIC de Paris, S.A.
Balance at 31 December 2012	**286,560**
Acquisitions or share of profit	24,847
Disposals or dividends received	(9,066)
Balance at 31 December 2013	**302,341**
Acquisitions or share of profit	1,980
Disposals or dividends received	(9,455)
Changes in the scope of consolidation (Note 2-f)	(294,866)
Balance at 31 December 2014	-

In the first half of 2014, and prior to their transfer to "Non-current assets held for sale", the carrying amount of the interest held in SIIC de Paris fell by 7,279 thousand euros, the amount dividends received by SFL from SIIC de Paris. Also, the amount of this ownership interest fell by 2,176 thousand euros as a result of the allocation of the losses attributable to the interest held by SFL in this company, and increased by 1,980 thousand euros recognised directly in the Group's equity.

In June 2014, SLF entered into an agreement with Eurosic for the sale of all its interest in the share capital of SIIC de Paris at a price of 23.88 euros per share (discounting the amount of any future dividend that may be paid after the agreement), conditional on the effective acquisition by Eurosic of the interest owned by Realia in SIIC de Paris.

On 23 July 2014, the shares were transferred and the sale price, net of transfer costs, amounted to 303,351 thousand euros, generating an accounting gain of 8,485 thousand euros (Note 20-g).

Deposits and guarantees given

Long-term deposits and guarantees basically comprise deposits made with official bodies in each country for deposits collected from lessees, in accordance with prevailing legislation.

11. Other non-current assets

"Other non-current assets" in the consolidated statement of financial position included the account receivable held with companies of a former shareholder of the Parent relating to the tax effect of the difference between the tax and accounting bases of the assets contributed in the equity issue dated 29 June 2006. This account receivable, which amounted to 61,001 thousand euros, had to be assumed by the former shareholders when the income tax was accrued. These receivables are secured by a first demand guarantee.

At 31 December 2013, the guaranteed receivable amounted to 30,501 thousand euros, following recognition of impairment therein in 2012.

Following the exclusion of Asentia from the scope of consolidation (Note 2-f), the assets that gave rise to the account receivable were also excluded from the group, which meant that the Group needed to evaluate whether or not any of the amounts guaranteed by the former shareholder could be collected. The Parent's directors reassessed the recoverability of the receivable and determined that the majority of the balance could not be legally claimed and that the portion deemed recoverable by law would be difficult to recover taking into account the situation of the debtors, who are currently in the liquidation stage of insolvency proceedings. Accordingly, the Parent recognised an impairment loss of 30,501 thousand euros for the full amount of the receivable, which was recognised under "Changes in provisions" in the consolidated statement of comprehensive income.

12. Trade and other receivables

The breakdown of this current asset heading in the accompanying consolidated statement of financial position at 31 December 2014 and 2013 is as follows:

	Thousands of euros	
	31 December 2014	31 December 2013
Trade receivables from sales and services	58,250	48,607
Other receivables	156,074	155,224
Impairment of trade receivables (Note 20-e)	(157,495)	(156,604)
Other current assets	1,179	249
Total trade and other receivables	**58,008**	**47,476**

Trade receivables from sales and services

"Trade receivables from sales and services" includes mainly the following:

- Accounts receivable from customers, primarily from the Group's rentals business in France, that are billed quarterly or half-yearly. No material sums for which provision had not been made were past due at either 31 December 2014 or 2013.

- The amount of the incentives in the operating lease agreements (grace periods, etc.) that the Group offers its customers, which are recognised in the consolidated statement of comprehensive income during the minimum operating lease term. At 31 December 2014 and 2013, these incentives totalled 43,614 thousand and 36,016 thousand euros, respectively.

Other receivables and impairment losses on trade receivables

The amounts owed by Nozar, S.A. and NZ Patrimonio, S.L.U., resulting from the cancellation of the purchase contracts entered into in July 2007 as a result of failing to comply with the conditions precedent, are recognised under "Other receivables", and totalled 152,189 thousand euros, including accrued interest (Note 20-e).

Nozar, S.A. and NZ Patrimonio, S.L.U. are currently in bankruptcy proceedings; consequently, at 31 December 2014 and 2013, the accompanying consolidated statement of financial position included an impairment loss for the entire amount of these companies' trade receivables.

13. Equity

Share capital

The Company's share capital at 31 December 2012 comprised 225,918,383 fully subscribed and paid up shares with a par value of 1 euro each.

In 2013 the Company agreed to increase share capital following a request to convert the convertible bonds into shares. As a result, 61 convertible bonds were redeemed and share capital and the share premium were increased by 8 thousand euros, through the issue of 307 new shares at a par value of 1 euro each plus a share premium of 24 euros per share. These shares are fully paid up.

As a result, the Company's share capital at 31 December 2013 was represented by 225,918,690 fully subscribed and paid up shares with a par value of 1 euro each.

The following changes in the Parent's share capital arose in 2014:

- On 17 February 2014, the capital reduction of 169,439 thousand euros was registered in the Barcelona Mercantile Register in order to increase restricted voluntary reserves by decreasing the par value of all shares from 1 euro to 0.25 euros per share.

- On 17 February 2014, the capital increase required to meet the last voluntary conversion of bonds convertible into shares of the Parent was registered in the Barcelona Mercantile Register, increasing the share capital by 0.5 thousand euros through the issue of 1,890 new shares with a par value of 0.25 euros.

- On 31 March 2014, the capital increase required to meet the ordinary redemption of all the outstanding bonds convertible into shares of the Parent was registered in the Barcelona Mercantile Register, increasing the share capital by 20 thousand euros through the issue of 79,101 new shares with a par value of 0.25 euros.

- On 6 May 2014, a capital increase for 734,499 thousand euros through the issuance of 2,937,995,853 new shares with a par value of 0.25 euros each was registered in the Barcelona Mercantile Register.

- On 8 May 2014, within the framework of the refinancing process, a capital increase for 486 thousand euros through the issuance of 1,944,444 new shares with a par value of 0.25 euros each was registered in the Barcelona Mercantile Register, each as a result of the exercise by the credit institution ING, of the warrants convertible into shares of the Parent, and which were delivered to guarantee the debt maintained by Abix Service, S.L.

- On 30 December 2014, a capital increase for 5,729 thousand euros through the issuance of 22,916,662 new shares with a par value of 0.25 euros each, was registered in the Barcelona Mercantile Register, each as a result of the exercise by the holding companies, of the warrants convertible into shares of the Parent, and which were delivered to guarantee the debt maintained by Asentia Project, S.L.U.

As a result, the Company's share capital at 31 December 2014 was represented by 3,188,856,640 fully subscribed and paid up shares with a par value of 0.25 euros each.

All shares are in book-entry form.

Based on the pertinent notifications regarding the number of company shares to the CNMV, the shareholders owning significant direct or indirect interests of 3% or more in the Parent at 31 December 2014 and 2013 are as follows:

31 December 2014

	% shareholding Indirect
Name or corporate name of the shareholder:	
Inmobiliaria Espacio, S.A.	24.442%
Qatar Investment Authority	13.138%
SICAV Amura Capital (Mora Banc Grup, S.A.)	7.050%
Aguila Ltd.	6.886%
T. Rowe Price Associates, INC	3.092%
Third Avenue Management LLC	3.065%
Fidelity International Limited	1.974%

(*) Information dated 31 December 2014.

On 21 January 2015, Joseph Charles Lewis notified the CNMV that he had acquired a 3.012% interest in the Parent's share capital.

31 December 2013

	% shareholding (*)		
	Direct	Indirect	Total
Name or corporate name of the shareholder:			
HM Treasury	-	19.992%	19.992%
Crédit Agricole, S.A.	-	19.683%	19.683%
Coral Partners (Lux) S.A.R.L.	14.733%	-	14.733%
Caja de Ahorros y Pensiones de Barcelona	-	5.787%	5.787%
The Goldman Sachs Group, Inc.	-	4.944%	4.944%
Banco Popular Español, S.A.	4.669%	-	4.669%

(*) Information dated 31 December 2013.

The Parent has no knowledge of other holdings of 3% or more in the Parent's share capital or voting rights, or of smaller stakes that would allow holders to exercise significant influence over the Parent.

On 30 June 2014, authorisation was given at the Parent's General Shareholders' Meeting for the Board of Directors to increase share capital, through monetary contributions, by up to half the existing amount, in one or several issues, within a maximum period of five years, at the time and for the amount deemed appropriate.

Share premium

As a result of the capital increases described above, the following changes took place in the share premium in 2014:

- On 17 February 2014, the capital increase required to meet the last voluntary conversion of bonds convertible into shares of the Parent was registered in the Barcelona Mercantile Register, through the issue of 1,890 new shares with a share premium of 24.75 euros per share, thereby increasing the share premium by 47 thousand euros.

- On 31 March 2014, the capital increase required to meet the ordinary redemption of all the outstanding bonds convertible into shares of the Parent was registered in the Barcelona Mercantile Register, through the issue of 79,101 new shares with a share premium of 24.75 euros per share, thereby increasing the share premium by 1,958 thousand euros.

- On 6 May 2014, a capital increase of 2,937,995,853 new shares with a premium per share of 0.18 euros was registered in the Barcelona Mercantile Register, thereby increasing the share premium by 528,839 thousand euros.

- On 8 May 2014, a capital increase was registered in the Barcelona Mercantile Register relating to the exercise of the Abix warrants by ING, through the issue of 1,944,444 new shares with a premium per share of 11.75 euros, thereby increasing the share premium by 22,847 thousand euros.

- On 30 December 2014, a capital increase was registered in the Barcelona Mercantile Register relating to the exercise of the Asentia warrants, through the issue of 22,916,662 new shares with a premium per share of 11.75 euros, thereby increasing the share premium by 269,671 thousand euros. With regard to exercising the warrants of Asentia, the Parent received a collection right vis-à-vis Asentia for a nominal value of 275,000 thousand euros as a consideration for the shares issued (Notes 2-f and 10). The valuation carried out by an independent expert, appointed by the Barcelona Mercantile Registry, placed the value of the collection right at 384 thousand euros and, therefore, the Parent recognised this collection right at 0 euros, reducing the amount of the share premium by 262,465 thousand euros. The net changes in the share premium therefore amounted to EUR 6,806 thousand.

Legal reserve

Under the Consolidated Spanish Limited Liability Companies Law, 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

Voluntary reserves

On 17 February 2014, the capital reduction was registered in the Barcelona Mercantile Register in order to reduce share capital by 169,439 thousand euros and to increase restricted voluntary reserves by decreasing the par value of all shares from 1 euro to 0.25 euros per share.

The Parent has set aside voluntary reserves of 1,160,107 thousand euros, 217,387 thousand euros of which are not freely available according to the shareholders' resolutions at the General Meeting held on 21 January 2014. This amount includes 47,948 thousand euros in restricted reserves for goodwill; however, these reserves are expected to become unrestricted following the approval of these financial statements by the shareholders at the General Meeting.

Likewise, the aforementioned capital increases involved costs of 49,977 thousand euros, which were recognised under “Reserves of the Parent” in consolidated equity.

Valuation adjustments recognised in equity - financial instruments

This heading of the consolidated statement of financial position includes the net change in the fair value of financial derivatives designated as hedging instruments in cash flow hedges (Note 15).

The changes in this heading are as follows:

	Thousands of euros	
	31 December 2014	31 December 2013
Opening balance	(18,358)	(1,008)
Changes in the fair value of hedges in the period	1,248	25,005
Transfer to the statement of comprehensive income	5,425	6,844
Transfer to reserves	-	(49,199)
Changes in the scope of consolidation (Note 2-f)	5,317	-
Closing balance	**(6,368)**	**(18,358)**

In 2014, as a result of the loss of control over Asentia, 5,317 thousand euros were transferred from the reserve to the statement of comprehensive income (Note 15).

Likewise, as a result of the write-off of the Parent's previous syndicated loan (Note 14), the amount recognised in the reserve relating to the hedging instruments associated with this loan was transferred to the consolidated statement of comprehensive income.

Treasury shares of the Parent

In the first half of 2014, the Parent sold all its treasury shares, totalling 1,710,000 shares, generating a total income of 3,013 thousand euros. The carrying amount of these shares at 31 December 2013 was 38,280 thousand euros.

Treasury shares of SFL

The Colonial Group held the following shares in SFL (held as treasury shares):

	31 December 2014	31 December 2013
No. of shares	426,695	439,531
Carrying amount (in thousands of euros)	21,291	21,665
% shareholding	0.92%	0.94%

In 2014, SFL acquired 146,625 shares for a total of 6,594 thousand euros and sold 159,461 shares at a cost of 7,297 thousand euros, recognising a loss of 524 thousand euros.

Some of SFL’s shares are held to cover three share option plans with different maturity dates and strike prices (Note 21).

At 31 December 2014, the published net asset value of SFL was 49.4 euros per share.

Non-controlling interests

The movement in this heading of the consolidated statement of financial position is as follows:

	Thousands of euros			
	Torre Marenostrum, S.L.	SFL subgroup	Riofisa subgroup	**Total**
Balance at 31 December 2012	**18,217**	**1,192,788**	**8,632**	**1,219,637**
Profit/(loss) for the year	84	104,396	(22,448)	**82,032**
Dividends and other	(631)	(47,635)	-	**(48,266)**
Changes in the scope of consolidation (Note 2-f)	-	6,484	-	**6,484**
Financial instruments	101	12,777	-	**12,878**
Balance at 31 December 2013	**17,771**	**1,268,810**	**(13,816)**	**1,272,765**
Profit/(loss) for the year	1,222	135,148	121	**136,491**
Dividends and other	(442)	(48,250)	-	**(48,692)**
Changes in the scope of consolidation (Note 2-f)	-	3,976	13,695	**9,719**
Financial instruments	(547)	(1,580)	-	**(2,127)**
Balance at 31 December 2014	**18,004**	**1,358,104**	**-**	**1,376,108**

The breakdown of the items included in “Dividends and other” at 31 December 2014 and 2013 is as follows:

	Thousands of euros	
	31 December 2014	31 December 2013
Dividend paid by the SFL subgroup to non-controlling interests	(45,363)	(45,346)
Dividend paid by Washington Plaza to non-controlling interests	(3,483)	(3,107)
Dividend paid by Torre Marenostrum to non-controlling interests	(442)	(631)
Other	596	818
Total	**(48,692)**	**(48,266)**

14. Bank borrowings and other financial liabilities

In 2014, the Parent's financial debt was restructured and share capital was increased (Note 2-g), which enabled the Parent to repay its previous syndicated loan early, amounting to 1,814,649 thousand euros (including interest), and to repay or restructure, by including the creditors in the new syndicated loan, virtually all the bilateral loans held by the Parent and Abix, for an aggregate amount of 308,072 thousand euros (including interest) (Note 20-g).

The breakdown by maturity of “Bank borrowings and other financial liabilities” at 31 December 2014 and 2013 is as follows:

	Thousands of euros							
	Current	Non-current						Total
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total non-current	
Bank borrowings:								
Lines of credit	56,340	-	-	-	-	-	-	56,340
Loans	6,076	6,340	199,977	3,188	103,483	25,800	338,788	344,864
Syndicated loans	-	-	-	1,040,000	-	-	1,040,000	1,040,000
Rights under finance leases (Note 9)	2,790	27,271	-	-	-	-	27,271	30,061
Interest	4,425	-	-	-	-	-	-	4,425
Debt arrangement expenses	(1,858)	(1,852)	(1,679)	(816)	(261)	(147)	(4,755)	(6,613)
Total bank borrowings	**67,773**	**31,759**	**198,298**	**1,042,372**	**103,222**	**25,653**	**1,401,304**	**1,469,077**
Other financial liabilities:								
Current accounts with SCI Washington Plaza and SAS Parholding	-	70,169	-	-	-	-	70,169	70,169
Market value of financial instruments (Note 15)	5,315	-	4,013	1,657	-	2,808	8,478	13,793
Other financial liabilities	380	-	-	-	-	-	-	380
Total other financial liabilities	**5,695**	**70,169**	**4,013**	**1,657**	**-**	**2,808**	**78,647**	**84,342**
Total bank borrowings and other financial liabilities	**73,468**	**101,928**	**202,311**	**1,044,029**	**103,222**	**28,461**	**1,479,951**	**1,553,419**
Bonds and similar securities issued:								
SFL bond issue	-	300,000	400,000	-	-	500,000	1,200,000	1,200,000
Interest	10,630	-	-	-	-	-	-	10,630
Arrangement expenses	(1,855)	(1,514)	(1,202)	(439)	(439)	(842)	(4,436)	(6,291)
Total bonds and similar securities issued	**8,775**	**298,486**	**398,798**	**(439)**	**(439)**	**499,158**	**1,195,564**	**1,204,339**
Total at 31 December 2014	**82,243**	**400,414**	**601,109**	**1,043,590**	**102,783**	**527,619**	**2,675,515**	**2,757,758**

	Thousands of euros							
	Current	Non-current						Total
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total non-current	
Bank borrowings:								
Lines of credit	48,533	-	-	-	-	-	-	48,533
- Third parties	*28,798*	-	-	-	-	-	-	*28,798*
- Related parties (Note 22)	*19,735*	-	-	-	-	-	-	*19,735*
Loans	233,124	15,838	22,820	296,541	66,138	29,283	430,620	663,744
- Third parties	*230,349*	*12,886*	*19,691*	*293,412*	*62,950*	-	*388,939*	*619,288*
- Related parties (Note 22)	*2,775*	*2,952*	*3,129*	*3,129*	*3,188*	*29,283*	*41,681*	*44,456*
Subordinated debt	-	-	-	42,354	-	-	42,354	42,354
- Third parties	-	-	-	*42,354*	-	-	*42,354*	*42,354*
Syndicated loans	1,759,323	-	-	-	50,000	-	50,000	1,809,323
- Third parties	*1,030,792*	-	-	-	*40,950*	-	*40,950*	*1,071,742*
- Related parties (Note 22)	*728,531*	-	-	-	*9,050*	-	*9,050*	*737,581*
Rights under finance leases (Note 9)	2,790	2,790	27,271	-	-	-	30,061	32,851
- Third parties	*2,790*	*2,790*	*27,271*	-	-	-	*30,061*	*32,851*
Interest	22,382	-	-	5	-	-	5	22,387
- Third parties	*13,723*	-	-	*5*	-	-	*5*	*13,728*
- Related parties (Note 22)	*8,659*	-	-	-	-	-	-	*8,659*
Debt arrangement expenses	(9,637)	(2,597)	(1,771)	(1,402)	(426)	(207)	(6,403)	(16,040)
- Third parties	*(9,637)*	*(2,597)*	*(1. 771)*	*(1,402)*	*(426)*	*(207)*	*(6,403)*	*(16,040)*
Total bank borrowings	**2,056,515**	**16,031**	**48,320**	**337,498**	**115,712**	**29,076**	**546,637**	**2,603,152**
- Third parties	**1,296,815**	**13,079**	**45,191**	**334,369**	**103,474**	**(207)**	**495,906**	**1,792,721**
- Related parties	**759,700**	**2,952**	**3,129**	**3,129**	**12,238**	**29,283**	**50,731**	**810,431**
Other financial liabilities:								
Current account with SCI Washington Plaza	-	72,360	-	-	-	-	72,360	72,360
Market value of financial instruments (Note 15)	2,625	-	-	640	6,603	1,655	8,898	11,523
Other financial liabilities	381	-	-	-	-	-	-	381
Total other financial liabilities	**3,006**	**72,360**	**-**	**640**	**6,603**	**1,655**	**81,258**	**84,264**
Total bank borrowings and other financial liabilities	**2,059,521**	**88,391**	**48,320**	**338,138**	**122,315**	**30,731**	**627,895**	**2,687,416**
Bonds and similar securities issued:								
SFL bond issue	-	-	500,000	500,000	-	-	1,000,000	1,000,000
Interest	15,632	-	-	-	-	-	-	15,632
Arrangement expenses	(2,013)	(2,013)	(1,446)	(954)	-	-	(4,413)	(6,426)
Total bonds and similar securities issued	**13,619**	**(2,013)**	**498,554**	**499,046**	**-**	**-**	**995,587**	**1,009,206**
Total at 31 December 2013	**2,073,140**	**86,378**	**546,874**	**837,184**	**122,315**	**30,731**	**1,623,482**	**3,696,622**

The bonds issued by SFL, which are traded on the Euronext Paris secondary market, have a market value of 1,251,121 thousand euros (a par value of 1,200,000 thousand euros) at 31 December 2014. The fair value of the borrowings held through syndicated loans, loans, credit facilities and rights under finance leases was determined taking into consideration that they may be renegotiated with the margins currently in force. The fair value of the derivatives was also calculated based on the present value of the future cash flows, applying the appropriate market discount rates established by an independent expert (Note 4-t).

New syndicated loan of the Parent and repayment of the previous syndicated loan

On 4 April 2014, the Parent entered into a new loan agreement, amounting to 1,040,000 thousand euros (the "New Loan Agreement"), with a group of financial entities, including Crédit Agricole Corporate and Investment Bank, Branch in Spain, acting as the correspondent bank, whose purpose is to repay early the previous syndicated loan and the bilateral loans existing via their inclusion in the new loan agreement.

The drawdown of the new loan was subject to compliance with certain conditions precedent, including the performance of the capital increase for a minimum amount of 1,240 million euros. These conditions were met on 6 May 2014, on which date, the loan agreement was executed in a public deed.

The main terms and conditions of the Parent's new syndicated loan are as follows:

- A single maturity date set for 31 December 2018.

- A fixed interest rate of EURIBOR plus 400 basis points paid quarterly.

- Voluntary partial or total early repayment in line with the terms of the New Loan Agreement, provided that a minimum amount of 10 million euros is repaid. Early repayment will not be permitted within the first year of entry into force of the New Loan Agreement.

- In the event of a loss of control at Colonial or the sale of all or a substantial part of the Colonial Group's assets, the debt of the New Loan Agreement will be repaid and written off early.

- Based on the loan to value (LTV) ratio, repayments for the full or partial amount of the income obtained from the following operations:

  - Transfer of property assets and collection of extraordinary dividends from SFL.

  - Sale of the SFL shares.

  - Gains from capital increases.

  - Gains from new debt commitments.

  - Cash flow surpluses. If the LTV ratio is equal to or more than 50%, any surplus cash flow.

  - Income arising from insurance.

- Financial ratios: The main financial ratios requested quarterly are:

  - The LTV ratio[1], which should not exceed 58%;

  - The Global Loan To Value ratio[2], which should not exceed 58%; and

[1] Calculated as the quotient between the net debt and the market value of the Parent's property assets plus the NAV (Net Asset Value) of Colonial's subsidiaries (excluding SFL) and the SFL shares owned by Colonial at their NAV EPRA per share.

[2] Calculated as the quotient between (i) the sum of the net debt of the Parent plus the net debt of its subsidiaries (except SFL) at the percentage of each subsidiary owned by Colonial; and (ii) the sum of the market value of the property assets directly owned by Colonial plus the market value of the property assets owned by its subsidiaries at the percentage of each subsidiary owned by Colonial plus the SFL shares owned by Colonial at their NAV EPRA per share.

- The debt servicing coverage ratio[3] (interest cover ratio), which should not be less than x1,25 (both for the 12 months following and the 12 months prior to the calculation date).

- Cases of default: the New Loan Agreement envisages certain cases of default which are standard in this type of agreement, such as (i) non-payment of the debt; (ii) non-compliance with financial ratios (covenants); (iii) cross default (if other debts are not paid); (iv) insolvency proceedings; (v) discontinuation of activity; and (vi) circumstances which involve a substantial negative change. In any of these case, the creditors may essentially cancel all their commitments and terminate the New Loan Agreement early.

- Collateral:

  - Unconditional and irrevocable collateral from the guarantors, which are the subsidiaries wholly owned by Inmobiliaria Colonial, S.A. whose EBITDA represents more than 3% of the consolidated Group's EBITDA, as well as from the wholly owned investees of the Parent.

  - Senior pledges on the shares of SFL and Torre Marenostrum, S.L.

  - Senior mortgages on property assets with a market value of 1,156,484 thousand euros, included under “Investment property”. At 31 December 2014, the senior mortgage on the asset acquired by the Parent had yet to be provided.

  - Pledge collateral on rent arising from leases and credit rights from insurance policies and bank accounts.

- Dividends: The Parent has assumed the commitment vis-à-vis the financial entities to not distribute dividends to its shareholders until the maturity date of the loan in the event the LTV ratio exceeds 45%. In addition, the new loan sets forth that dividends paid will not exceed the net gains for the year.

At 31 December 2014, the Parent complied with all covenants.

The Company recognised the arrangement expenses, and other expenses associated with the new syndicated loan, amounting to 31,780 thousand euros, in the consolidated statement of comprehensive income. The impact of both charges is recognised under “Finance costs” in the consolidated statement of comprehensive income (Note 20-g).

SFL syndicated loan

The breakdown of the SFL’s syndicated loans at 31 December 2014 and 2013 is as follows:

Thousands of euros	**Maturity**	31 December 2014		31 December 2013	
		Limit	Nominal amount drawn down	Limit	Nominal amount drawn down
SFL syndicated loan -					
BNP Paribas loan facility	July 2018	400,000	-	400,000	-
BPCE loan facility	October 2019	150,000	-	350,000	45,000
Total SFL syndicated loan		**550,000**	**-**	**750,000**	**45,000**

[3] Calculated as the quotient between the recurring cash flow for a period and the interest paid during such period.

The BPCE loan facility was novated in October 2014, reducing its limit from 350,000 thousand euros to 150,000 thousand euros and extending its maturity to October 2019. The facility earns interest at a fixed rate of EURIBOR plus a variable margin of between 140 and 170 basis points, depending on the LTV ratio.

Compliance with covenants

SFL syndicated loans must meet the following covenants every six months:

	Ratios
BNP-Paribas syndicated loan	LTV ratio <= 50% Interest coverage ratio >= 2 Secured debt/equity value <= 20% Appraisal value of unmortgaged properties >= €2bn
BPCE syndicated loan	LTV ratio <= 50% Interest coverage ratio >= 2 Secured debt/equity value <= 20% Appraisal value of unmortgaged properties >= €2bn

Note: €bn refers to billions of euros.

At 31 December 2014, SFL complied with the financial ratios stipulated in the respective financing agreements.

Other loans

At 31 December 2014 and 2013, in addition to the syndicated loan, the Group had the following mortgage loans, secured by its investment properties and non-current assets held for sale associated with its rentals business:

	Thousands of euros			
	31 December 2014		31 December 2013	
	Mortgage debt	Market value of collateral	Mortgage debt	Market value of collateral
Investment property - rentals (Note 9)	273,941	840,710	534,017	1,030,228
Non-current assets held for sale (Note 24)	986	6,994	2,011	8,602
	274,927	**847,704**	**536,028**	**1,038,830**

The Parent has loans for a total amount of 986 thousand euros, of which 809 thousand euros was recognised under current borrowings at 31 December 2014.

SFL has a loan not secured by a mortgage in the amount of 150,000 thousand euros, of which 100,000 thousand euros were drawn down at 31 December 2014. This loan was novated in April 2014, extending its maturity to April 2019. The loan earns interest at a fixed rate of EURIBOR plus a variable margin of between 150 and 190 basis points, depending on the LTV ratio.

Compliance with covenants

At 31 December 2014, two of the Colonial Group's loans, with a total of 141,681 thousand euros drawn down (290,222 thousand euros at 31 December 2013), are subject to compliance with certain financial covenants. At that date, the Group was not in breach of any of the covenants stipulated in these loans.

Debt issuance (non-convertible bonds)

SLF issued the following non-convertible bonds with a face value of 100 thousand euros each.

				(Thousands of Euros)		
Issue	Term	Maturity	Fixed-rate coupon payable annually	Amount of the issue	31 December 2014	31 December 2013
17/05/2011	5 years	25/05/2016	4.625%	500,000	300,000	500,000
28/11/2012	5 years	28/11/2017	3.50%	500,000	400,000	500,000
20/11/2014	7 years	20/11/2021	1.875%	500,000	500,000	-
Total issues				**1,500,000**	**1,200,000**	**1,000,000**

The bonds are unsubordinated obligations, all of which rank pari passu. They are traded on the Euronext Paris exchange.

In November 2014, SFL carried out a new bonds issue amounting to 500,000 thousand euros, maturing in seven years, and with a fixed-rate coupon of 1.875%.

Subsequently, on 27 November 2014, SFL completed a transaction for partially repurchasing the bonds maturing in 2016 and 2017, amounting to 200,000 thousand and 100,000 thousand euros, respectively.

The interest accrued and outstanding on these bonds, recognised in the consolidated statement of financial position at 31 December 2014, amounted to 10,630 thousand euros.

Lines of credit

The Group has lines of credit of up to 56,340 thousand euros, which at 31 December 2014 were fully drawn down. These credit facilities mature in the short term. At 31 December 2013, the balance of fully drawn-down lines of credit held by the Group totalled 48,534 thousand euros.

At 31 December 2014, the Group also had two current accounts in the amount of 57,516 thousand euros and 12,500 thousand euros extended to two Group companies, SCI Washington and SAS Parholding, respectively. These current accounts accrue interest at a rate of three-month Euribor plus 60 basis points, in the case of SCI Washington, and three-month Euribor plus 150 basis points, for the account extended to SAS Parholding. The total interest accrued for both current accounts is 153 thousand euros. The total amount at 31 December 2013 was 72,360 thousand euros.

Guarantees given

At 31 December 2014, the Parent had granted to government bodies, customers and suppliers guarantees in the amount of 33,108 thousand euros, of which 21,799 thousand euros related to the bank guarantee provided in connection with the purchase of the building located at Francisco Silvela, 42 in Madrid (Note 13). Other than this, the main guarantees were:

- 5,097 thousand euros granted to secure obligations acquired by Asentia Project, S.L.U. The Parent and this subsidiary have an agreement in place whereby if any of the guarantees is enforced, Asentia Project, S.L.U. must compensate the Parent for any damage sustained within 15 days.

- 5,000 thousand euros granted to secure obligations acquired by Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U. This subsidiary has pledged a current account as collateral to secure the guarantees provided by the Parent, the balance of which at 31 December 2014 was 3,232 thousand euros.

Finance leases

The breakdown of assets held under finance leases is disclosed in Note 9.

Cash and cash equivalents

At 31 December 2014 and 2013, amounts of 125,956 thousand and 53,557 thousand euros, respectively, were recognised under “Cash and cash equivalents”, of which 14,565 thousand and 2,500 thousand euros, respectively, were pledged. The Parent is obliged to make a payment of 21,798 thousand euros in relation to the execution of the guarantee for the purchase of the Francisco Silvela building (Note 13).

Costs and fees for loans and bond issues

At 31 December 2014 and 2013, the amount recognised in the consolidated statement of comprehensive income in this connection totalled 60,178 thousand and 13,374 thousand euros, respectively, of which 31,235 thousand euros relate to the Parent (fees for writing off the previous syndicated loan and entering into a new load), 28,852 thousand euros to SFL (relating mainly to fees for the new bond issue and the partial repurchase of the previous issues), and 91 thousand euros to Torre Marenostrum.

Interest rate on borrowings

The average interest rate paid by the Group in 2014 on borrowings allocated to continuing operations was 3.76%, or 3.98% including accrued fees. The average spread over Euribor paid by the Group in 2014 was 247 basis points (291 basis points including fees). The calculation of the average spread did not include the penalty of 686 basis points on the Parent's previous syndicated loan. If it had been included, the interest rate on the borrowings would be 5.47%.

At 31 December 2014, the interest accrued on bank borrowings amounted to 4,425 thousand euros. At 31 December 2013, accrued interest amounted to 22,387 thousand euros.

Capital management: policies and objectives

The Group manages its capital to ensure that Group companies will be able to continue as going concerns, taking into account prevailing financial market conditions, with a view to maximising shareholder value.

The Colonial Group draws up annual cash budgets and monthly forecasts (with breakdowns and weekly updates) to manage its liquidity risk and meet its financing needs.

The liquidity risk is mitigated by the following factors: (i) recurring cash flow generation by the Group’s core activities; and (ii) its ability to renegotiate and obtain new financing on the basis of long-term business plans and (iii) the quality of the Group’s assets.

The financing granted to the Parent is long term and structured such that it is able to implement the business plan that supports it, including the amount yet to be paid for the acquisition of the Francisco Silvela property (Note 19) and the costs associated with the development work yet to be carried out on the EU-1 (Note 17).

SLF has various lines of credit yet to be drawn down and the bonds issued in November 2014 have allowed it to reduce the cost of the debt and also to extend its maturity period.

Given the sector in which the Group operates, the investments it makes, the financing obtained to make these investments, the EBITDA generated and the occupancy rates of its buildings, liquidity risk is significantly mitigated and cash surpluses may even arise. These cash surpluses enable the Group to have lines of credit available but not yet drawn down (in the case of SFL) or highly liquid deposits with no risk (in the case of the Parent). The Group does not use high-risk financial products as a method for investing cash surpluses.

15. Derivative financial instruments

Risk management policy objectives

The Colonial Group's risk management policies are structured as follows:

- Interest rate risk: the Group has taken out most of its debt at floating rates, except for the 1,200,000 thousand euros of bonds issued by SFL (Note 14). Therefore, 55% of its debt is exposed to trends in market interest rates. The Group's risk management policy is designed to limit and control the effect of interest rate fluctuations on profit and cash flow and to keep overall borrowing costs at reasonable levels. In order to attain these objectives, interest rate hedges are arranged to hedge against possible fluctuations in finance costs.

  A sensitivity analysis to interest rate risk is presented below. Increases and decreases have been applied to the interest rate on the Group's debt structure at 31 December 2014 and 2013, including financial instruments, to analyse the impact before non-controlling interests and the related tax effect on the Group's consolidated comprehensive income and on equity.

31 December 2014

	Thousands of euros		
	Increase / (decrease)	Income / (expense)	
+/- basis point change in interest rate	Impact on equity	Impact on comprehensive income	% change in recognised expense
+25bp	2,060	(3,292)	3.01%
+50bp	3,676	(6,586)	6.02%
+75bp	5,277	(9,882)	9.03%
+100bp	8,720	(13,074)	11.95%

For 2014, sensitivity to negative changes is not shown, given that the resulting interest rates are negative.

31 December 2013

	Thousands of euros		
	Increase / (decrease)	Income / (expense)	
+/- basis point change in interest rate	Impact on equity	Impact on comprehensive income	% change in recognised expense
+25bp	2,124	(3,777)	2.95%
+50bp	4,311	(7,559)	5.91%
+75bp	6,608	(11,345)	8.87%
+100bp	9,052	(15,135)	11.83%

For 2013, sensitivity to negative changes is not shown, given that the resulting interest rates are negative.

- Refinancing risk: the Group's financial structure warrants diversification of its sources of financing by entity, product and maturity.

- Counterparty risk: the Group mitigates this risk by using top-tier financial institutions to underwrite and arrange its financing (Note 4-s).

- Liquidity risk: the restructuring of the Parent's financial debt (Note 14), together with the capital increase performed (Note 2-g), allowed the Parent to strengthen its long-term financial structure, reducing its debt and guaranteeing its debt servicing. The SFL subgroup also has syndicated loans not yet drawn down as described in Note 14.

- Credit risk: the Parent analyses the exposure implied by at-risk accounts receivable on an ongoing basis, monitoring their settlements and recognising charges whenever its receivables are deemed impaired.

Derivative financial instruments

The Group has arranged a series of fixed-to-floating interest rate hedging derivatives. The following table itemises these derivatives and states their fair values at 31 December 2014 and 2013:

Derivative financial instrument	Company	Counterparty	Interest rate	Maturity	Notional value (thousands of euros)	Fair value – Asset / (Liability)
Vanilla swap	Parhaus	Natixis	0.8825%	2017	24,525	(565)
Vanilla swap	Parchamps	Natixis	0.8825%	2017	9,065	(209)
Vanilla swap	Pargal	Natixis	0.8825%	2017	28,150	(648)
Vanilla swap	Parhaus	Nord/LB	0.8825%	2017	24,525	(565)
Vanilla swap	Parchamps	Nord/LB	0.8825%	2017	9,065	(209)
Vanilla swap	Pargal	Nord/LB	0.8825%	2017	28,150	(648)
Vanilla swap	Parhaus	Dekabank	0.8825%	2017	24,525	(565)
Vanilla swap	Parchamps	Dekabank	0.8825%	2017	9,065	(209)
Vanilla swap	Pargal	Dekabank	0.8825%	2017	28,150	(648)
Step-down swap	Colonial	BBVA	3.50%	2018	91,339	(5,852)
Cap	Colonial	CA-CIB	1.25%	2018	350,000	-
Cap	Colonial	ING	1.25%	2018	300,000	-
Cap	Colonial	Morgan Stanley	1.25%	2018	130,000	-
Vanilla swap	Torre Marenostrum	CaixaBank	2.80%	2024	27,093	(3,675)
Total fixed-to-floating hedges at 31 December 2014					**1,083,652**	**(13,793)**

Derivative financial instrument	Company	Counterparty	Interest rate	Maturity	Notional value (thousands of euros)	Fair value – Asset / (Liability)
Vanilla swap	Parhaus	Natixis	0.8825%	2017	24,525	(112)
Vanilla swap	Parchamps	Natixis	0.8825%	2017	9,065	(42)
Vanilla swap	Pargal	Natixis	0.8825%	2017	28,150	(129)
Vanilla swap	Parhaus	Nord/LB	0.8825%	2017	24,525	(112)
Vanilla swap	Parchamps	Nord/LB	0.8825%	2017	9,065	(42)
Vanilla swap	Pargal	Nord/LB	0.8825%	2017	28,150	(129)
Vanilla swap	Parhaus	Dekabank	0.8825%	2017	24,525	(112)
Vanilla swap	Parchamps	Dekabank	0.8825%	2017	9,065	(42)
Vanilla swap	Pargal	Dekabank	0.8825%	2017	28,150	(129)
Step-down swap	Colonial	BBVA	3.30%	2018	125,233	(8,638)
Cap	Colonial	Banco Popular	3.25%	2014	30,000	-
Cap	Colonial	CA-CIB	3.25%	2014	140,000	-
Cap	Colonial	CA-CIB	1.875%	2014	150,000	1
Cap	Colonial	Hypothekenbank	2.50%	2014	150,000	1
Cap	Colonial	RBS	1.875%	2014	150,000	1
Cap	Colonial	RBS	2.50%	2014	250,000	1
Cap	Colonial	RBS	3.25%	2014	140,000	-
Cap	Colonial	CaixaBank	2.50%	2014	100,000	-
Cap	Colonial	CaixaBank	3.25%	2014	140,000	-
Cap	Colonial	CaixaBank	3.25%	2014	50,000	-
Cap	Abix	CaixaBank	3.5%	2014	54,105	-
Vanilla swap	Torre Marenostrum	CaixaBank	2.80%	2024	28,896	(2,040)
Total fixed-to-floating hedges at 31 December 2013					**1,693,454**	**(11,523)**
- Third parties					460,453	(9,486)
- Related parties (Note 22)					1,233,001	(2,037)

The Parent has various derivatives arranged associated with the previous syndicated loan, which were recognised as efficient hedges, giving rise to a reserve for the valuation of derivative financial instruments for an aggregate amount of 5,517 thousand euros. As a consequence of the write-off of the liability covered, the Parent transferred the amount recognised in the previous reserve to the consolidated statement of comprehensive income.

In 2013, SFL carried out the early cancellation of three interest rate swaps with a total nominal value of 250,000 thousand euros. Meanwhile, in 2012, it cancelled in advance eight interest rate swaps. The straight-line accrual of the finance cost on the early cancellation of these 11 interest rate swaps had an impact of 8,407 thousand euros on the consolidated statement of comprehensive income at 31 December 2014, under “Finance costs”.

At 31 December 2014, 92% of the notional value of the Group's derivatives portfolio was in compliance with the terms of IFRS 39; consequently, the mark-to-market (MtM) differences between periods are recognised in equity.

At 31 December 2014, the accumulated impact on equity of derivative hedge accounting was a debit of 6,368 thousand euros, net of the tax effect and consolidation adjustments (at 31 December 2013, a debit of 18,358 thousand euros).

The impact for 2014 and 2013 of accounting for derivatives qualifying for hedge accounting on the consolidated statement of comprehensive income was a net finance cost of 9,500 thousand and 18,448 thousand euros, respectively (Note 20-g), corresponding primarily to SFL.

The fair value of the derivatives was calculated by discounting estimated future cash flows based on forward interest and exchange rates and on assigned volatility at 31 December 2014.

At 31 December 2014, the net fair value of the derivatives gave rise to a financial liability of 13,793 thousand euros, including accrued interest payable of 435 thousand and a receivable of 24 thousand euros in credit risk (Note 14). The fair value of the derivatives at 31 December 2013 was 11,523 thousand euros.

At 31 December 2014, the notional amount for interest rate hedges was 1,083,652 thousand euros. Taking into account SFL bonds issues, 85% of total debt is hedged or at fixed rates, in the amount of 1,200,000 thousand euros.

The effective hedging ratio at year-end 2014 (floating rate hedges) was 74% (83% in Spain and 48% in France).

Prospective and retrospective testing for hedge effectiveness is carried out on a monthly basis.

- Retrospective tests measure how effectively the instrument would have hedged the liability over its life, using historical interest rates to date.

- Prospective tests measure the instrument's expected effectiveness on the basis of forward interest rates as published by Bloomberg at the measurement date. This is adjusted monthly from the inception of the hedge on the basis of the historical interest rates already established.

The method used to determine the effectiveness of hedging instruments consists of calculating the statistical correlation between the benchmark interest rates at each measurement date for the derivative and the hedged liability.

A hedging instrument is considered effective if this statistical correlation is between 0.8 and 1.

16. Trade payables and other non-current liabilities

The breakdown of this heading in the consolidated statement of financial position, by item and maturity, is as follows:

	Thousands of euros			
	31 December 2014		31 December 2013	
	Current	Non-current	Current	Non-current
Trade and other payables	26,058	-	22,923	-
Advances	14,325	-	12,606	-
Payables for the purchase of properties and land	52,779	-	52,340	-
Guarantees and deposits received	1,515	24,311	1,515	23,468
Payable to Social Security	1,770	-	1,974	-
Deferred income (Note 20-a)	4,411	-	6,527	-
Other payables and current liabilities	3,444	580	3,335	175
Total	**104,302**	**24,891**	**101,220**	**23,643**

At 31 December 2014 and 2013, "Trade and other payables" included primarily the amounts payable by the Group for business-related purchases and costs associated with the property rental operating segment and the Corporate Unit.

"Advances" primarily reflects amounts paid upfront by lessees.

At 31 December 2014, "Payables for the purchase of properties and land" included borrowings for the acquisition of properties by SFL (Rue de Richelieu or Project Cardinal, and Quai Le Gallo, 46 or project In/Out), in the amount of 30,713 thousand euros, and the amount outstanding on the Parent's acquisition of the Francisco Silvela property (Notes 14 and 19) of 21,799 thousand euros.

“Guarantees and deposits received” mainly includes deposits paid by lessees.

“Deferred income” includes the amount received by SFL for rights of entry, which relate to the amounts paid by lessees to reserve a unique space.

Average payment period to suppliers and trade creditors

In keeping with additional provision three “Disclosure requirements” of Law 15/2010, of 5 July 2010, amending Law 3/2004, which establishes measures to combat late payment in commercial transactions, and as provided in the related resolution issued by Spain’s Accounting and Audit Institute (ICAC) on 29 December 2010, the following table provides the required disclosures regarding “aggregate” balances with suppliers and trade creditors at 31 December 2014 and 2013 of the various Spanish companies included in the Group:

	Thousands of euros					
	Payments made and payments outstanding at year-end					
	2014			2013		
	Amount	%	As a % of the total number of invoices	Amount	%	As a % of the total number of invoices
Paid within the legal deadline	32,417	56%	68%	17,702	54%	65%
Other	25,046	44%	32%	15,347	46%	35%
Total amounts paid in the year	57,463	**100%**	**100%**	33,049	**100%**	**100%**
Weighted average payment days	53			59		
Weighted average payment days – payments made after the legal deadline	84			94		
Weighted average days past due – payments	54			34		
Amounts past due at the reporting date by more than the legally permitted term	3,416			3,035		

Weighted average days past due was calculated by dividing the sum of the products of each of the payments to suppliers made during the year after the legally stipulated payment term and the number of days by which this deadline was surpassed (numerator) by the total amount of payments made during the year later than the legally stipulated payment term (denominator).

Law 11/2013 on measures to support entrepreneurs, stimulate growth and create employment, which amended the Law on late payments (Law 3/2004, of 29 December), entered into force on 26 July 2013. The new law stipulates that the maximum payment period to suppliers as of 29 July 2013 is 30 days, unless there is an agreement between the parties which increases the maximum period to 60 days.

As regards payments made after the legally established period, note that these are primarily payments relating to construction work and property refurbishment that are paid within the payment terms stipulated in the contracts signed with the various contractors. In this regard, at the date on which these financial statements were authorised for issue, the Parent has notified all suppliers with contracts in force, and whose payment conditions included in said contracts were not in line with the maximum payment period of 60 days, that conditions would be changed in order to bring them into line with Law 11/2013.

17. Provisions

Changes in “Provisions” for 2014 and 2013 in the accompanying consolidated statement of financial positions are as follows:

	Thousands of euros			
	Non-current provisions			Current provisions
	Provision for taxes	Provisions for employee benefits	Provisions for contingencies and other provisions	Provisions for contingencies and other provisions
Balance at 31 December 2012	**968**	**1,039**	**31**	**316**
Additions	-	-	20	20,293
Decreases	(968)	(323)	-	-
Balance at 31 December 2013	**-**	**716**	**51**	**20,609**
Amounts used	-	-	(13,738)	(20,126)
Additions	-	517	26,065	5,737
Decreases	-	-	-	(41)
Balance at 31 December 2014	**-**	**1,233**	**12,378**	**6,179**

Non-current provisions

The additions to non-current provisions include the recognition of 26,065 thousand euros relating to the financial obligations assumed by the Parent following the deconsolidation of Asentia (Note 2-f).

In 2014 the provision recognised in connection with the Asentía warrants (Note 13), which amounted to 12,535 thousand euros, was used in full, and the provision for the development costs pending execution in the Entrenúcleos EU-1 (Note 2-f), amounting to 1,203 thousand euros, after having received the related invoices, was partially used.

“Provisions for employee benefits” cover the retirement benefits and seniority bonuses of employees of SFL (Note 4-j).

Current provisions

Additions to current provisions include 5,737 thousand euros, reflecting an estimate of the Parent's various future risks.

In 2014, after recognising the restructuring costs (Note 2-g) in the consolidated statement of comprehensive income by type, the Parent used the current provision recognised in 2013 amounting to 20,126 thousand euros. Following is a detail of the impacts of the recognition of these costs and of the reversal of the provision:

	Thousands of euros
	2014
Staff costs (Note 20-c)	(4,247)
Other operating expenses	(22,023)
Net change in provisions	20,126
Operating profit	**(6,144)**

The Group has recorded the appropriate provisions for contingencies arising from third-party claims.

18. Tax matters

Inmobiliaria Colonial, S.A. is the head of a group of companies that has filed consolidated tax returns since 1 January 2008. This consolidated tax group includes only subsidiaries incorporated in Spain in which the Parent either directly or indirectly owns at least 75% (this threshold falls to 70% in the case of listed subsidiaries) and has the majority of the voting rights.

Following the reduction of the interest held by the Parent in Asentia, both Asentia and all the subsidiaries included in the tax group left the group effective as of 1 January 2014. Consequently, all companies of the Asentia subgroup which formed part of the tax group in 2013 went on to file individual tax returns as of 1 January 2014.

In addition to the Parent, this consolidated tax group for 2014 included Abix Service, S.L.U., Colonial Invest, S.L.U. and Colonial Tramit, S.L.U., with the following companies leaving the group with respect to 2013: Asentia Project, S.L.U., Riofisa, S.A.U., Inmocaral Servicios, S.A.U., Riofisa Espacios Inmobiliarios, S.L.U., Riofisa Internacional, S.L., Riofisa Sema, S.L., Riofisa Desarrollos Internacionales, S.L., Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U. and Riofisa Este, S.L.

The exclusion from the tax group of the Asentia subgroup companies meant that the taxable profit of the 2013 tax group included the amount of all internal operation adjustments arising from these companies, and the distribution of tax losses and the tax credits and relief generated by the tax group in proportion to the extent to which these companies had contributed to their generation.

Corporate income tax expense for the year is calculated based on taxable profit for the year, which differs from the net profit or loss presented in the consolidated statement of comprehensive income because it excludes certain taxable income and deductible expenses from prior years as well as other exempt items. The Group's current tax liabilities are calculated using tax rates that have been approved at the date of the consolidated statement of financial position.

The breakdown of tax receivables and payables in the accompanying consolidated statement of financial position is as follows:

	Thousands of euros			
	Current tax assets			
	Current		Non-current	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Tax refunds receivable	857	66	-	-
Deferred tax assets receivable	-	1,924	-	-
VAT refundable	13,656	19,005	-	-
Deferred tax assets	-	-	1. 422	142,592
Total tax receivables	**14,513**	**20,995**	**1,422**	**142,592**

	Thousands of euros			
	Current tax liabilities			
	Current		Non-current	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Income tax payable	6,463	4,099	-	-
Other taxes payable	2,927	7,970	-	-
Exit tax payable (SFL Group)	-	1,717	5,595	9,107
VAT payable	1,712	830	-	-
Tax deferrals payable	4,933	10,891	1,356	6,330
Deferred tax liabilities	-	-	196,799	169,339
Total taxes payable	**16,035**	**25,507**	**203,750**	**184,776**

Income tax

The breakdown of "Income tax expense" in the consolidated statement of comprehensive income for 2014 and 2013 is as follows:

	Thousands of euros	
	2014	2013
Corporate income tax expense	(9,550)	(18,214) (**)
Variation due to deferred and prepaid taxes, tax credits and tax relief	(166,233) (*)	(16,264)
Income tax expense	**(175,783)**	**(34,478)**
- from continuing operations	(175,783)	(34,817)
- from discontinued operations (Note 24)	-	339

(*) Of which 23,119 thousand euros relate to the adjustments arising from the reduction in the tax rate introduced by Corporate Income Tax Law 27/2014, of 27 November, which entered into force on 1 January 2015 and established a standard tax rate of 25% for taxpayers liable for this tax. The tax rate is temporarily set at 28% for 2015.

(**) Of which 1,648 thousand euros relate to adjustments derived from uncontested additional tax assessments raised in inspections in the absorbed companies Dehesa de Valme, S.L. and Entrenúcleos Desarrollo Inmobiliario, S.L.

2014

	Thousands of euros		
	Continuing operations	Total	Tax effect – at the 30% national rate (*)
Profit/(loss) before tax	103,407	103,407	(31,022)
Effect of the adjustments to taxable profit for France (SIIC 4 effect and adjustments to the tax base)	(174,553)	(174,553)	52,365
Effects of the adjustments to taxable profit for Spanish companies and unrecognised tax credits generated in the year	192,518	192,518	(57,755)
Prior income tax expense (base)	**121,372**	**121,372**	**(36,412)**
Other			3,871
Derecognition of tax credits			(143,242)
Income tax expense			**(175,783)**

(*) (Expense) / Income

2013

	Thousands of euros			
	Continuing operations	Discontinued operations	Total	Tax effect – at the 30% national rate (*)
Profit/(loss) before tax	(22,361)	(404,591)	(426,952)	128,086
Effect of the adjustments to taxable profit for France (SIIC 4 effect and adjustments to the tax base)	(120,181)	-	(120,181)	36,054
Effects of the adjustments to taxable profit for Spanish companies and unrecognised tax credits generated in the year	253,105	403,461	656,566	(196,970)
Prior income tax expense (base)	**110,563**	**(1,130)**	**109,433**	**(32,830)**
Other				(1,648)
Income tax expense				**(34,478)**

(*) (Expense) / Income

The following table reconciles pre-tax accounting profit/(loss) and taxable profit/(loss) after temporary differences:

	Thousands of euros	
	2014	2013
Accounting loss before tax (aggregate of individual expenses)	322,123	(592,926)
Permanent differences	(356,767)	(33,824)
Temporary differences	27,088	179,828
Aggregate tax loss before use of unused tax losses	**(7,556)**	**(446,922)**
Offset of tax losses	-	(49)
Aggregate tax loss	**(7,556)**	**(446,971)**
Recognised taxable profit	15,906	2,214
Unrecognised tax loss	(23,462)	(449,185)

At 31 December 2014 and 2013, the permanent differences recognised by the Group correspond primarily to the SFL subgroup –subject to the French SIIC regime (Note 4-m)– for a permanent negative difference in the amount of 254,874 thousand euros, and a dividend received from this company by the Parent, giving rise to a permanent negative difference of 49,444 thousand euros. In addition, 49,977 thousand euros were recognised in 2014 for the capital increase costs recognised directly in the Group's equity (Note 13), which were included in the tax base as a negative permanent adjustment.

At 31 December 2013, the permanent differences recognised by the Group correspond primarily to the SFL subgroup –subject to the French SIIC regime (Note 4-m)– for a permanent negative difference in the amount of 169,126 thousand euros, and a dividend received from this company by the Parent, giving rise to a permanent negative difference of 40,055 thousand euros.

Deferred tax assets

The breakdown of the deferred tax assets recognised by the Group is as follows:

Deferred tax assets	Thousands of euros			
	Recognised as assets			
	31 December 2013	Additions	Retirements	31 December 2014
Tax loss carryforwards	143,242	-	(143,242)	-
Fair value of financial instruments	558	420	-	978
Impairment of assets	(1,208)	178	1,474	444
	142,592	**598**	**(141,768)**	**1,422**

At 31 December 2013, the Parent recognised a tax loss carryforward in the amount of 143,242 thousand euros.

At that date, the Parent's directors evaluated its business plan and the expectations for the rental business in Spain over the medium and long term. The business plan primarily considered the results of the Parent's ordinary activities for the 18-year period (the period for offsetting tax loss carryforwards according to current tax legislation), which were projected on the basis of the Parent's portfolio of rental properties. The results of ordinary activities were estimated on the basis of the performance of rentals, as well as occupancy levels for each of the Parent's properties individually. The assessment of the recoverability of tax credits also took into account certain tax planning strategies that would allow for the exit of the Asentia subgroup if the disposal of this subgroup does not materialise (Note 2-g).

At 31 December 2014, all of these tax loss carryforwards were retired after reassessing the assumptions considered in the impairment test, in which the changes introduced by the new Corporate Income Tax Law approved on 27 November 2014, the permanent limit for tax loss carryforwards, the approved tax rate reduction and the time limit of ten years used in the impairment test calculation at 31 December 2014 had a significant impact. Although current tax legislation does not set a maximum limit for their recovery, the directors have chosen to set a finite period of 10 years for offsetting these tax credits. At 31 December 2013, the period for offset established was considered to be 18 years.

Corporate Income Tax Law 27/2014, of 27 November, which enters into force on 1 January 2015, establishes a standard tax rate of 25% for taxpayers liable for this tax.

However, a standard tax rate of 25% will be applicable for tax periods beginning on or after 1 January 2016, due to the temporary measures applicable in the 2015 tax period set forth in Transitional Provision Thirty-One of Law 27/2014, which establishes a standard tax rate of 28% for the 2015 tax period.

Prior years' tax loss carryforwards

The income tax law in force as of 1 January 2015 stipulates that prior years' tax loss carryforwards may be offset in future years without any time limit and, until the entry into force of the new income tax law, this offset is limited to the 18 years immediately subsequent to when the tax loss to be offset was generated.

The following table shows the aggregate tax loss carryforwards to be offset by Spanish Group companies:

Year	Thousands of euros At companies that make up the consolidated tax group
2000	12,979
2001	5,468
2003	140
2004	38,515
2005	36
2006	25,053
2007	356,235
2008	1,272,908
2009	887,018
2010	657,648
2011	271,321
2012	415,817
2013	109,674
2014	23,462
Total	**4,076,274**

As indicated above, some of the Group companies form part of consolidated tax group 6/08, which means that certain transactions among companies included in the tax group are eliminated from the aggregate sum of the individual tax loss balances; they are not included in consolidated taxable profit until the gain or loss on the respective transaction is realised with third parties. In addition, the consolidated tax regime allows companies with taxable profit to make use of the tax losses generated by other companies within the same consolidated tax group.

Following the reduction of the interest held by the Parent in Asentia Project, S.L.U., the latter left the tax group, together with all the subsidiaries forming the tax group to date (Note 2-f). As mentioned above, the exclusion from the tax group takes effect from 1 January of the year in which it takes place, i.e. as of 1 January 2014.

The following table reconciles the aggregate of the individual tax losses and the consolidated tax loss for 2014, the difference being the result of application of the foregoing adjustments to companies in the consolidated tax group:

	Thousands of euros At companies that make up the consolidated tax group
Aggregate of the individual tax loss carryforwards:	**4,076,274**
Adjustments for transactions among companies that make up the consolidated tax group	(550,073)
Adjustments for the offset of taxable profit and tax loss carryforwards among companies that make up the consolidated tax group	(9,789)
Total tax loss carryforwards of the tax group	**3,516,412**

Deferred tax asset for tax credit carryforwards

The nature and amount of unused tax credits at 31 December 2014 by the Group due to insufficient taxable profit in prior years, and the last years for offset are set out below:

	Thousands of euros		
Nature of the tax credit	Year of origin	Amount	Last year for use
Double taxation tax credit			
	2007	12,482	2014
	2008	8,612	2015
	2009	287	2016
	2010	273	2017
	2011	355	2018
	2012	333	2019
	2013	83	2020
	2014	162	2021
Tax credit for training			
	2008	1	2018
	2009	1	2019
	2010	1	2020
Tax credit for reinvestment			
	2002	458	2017
	2003	3,316	2018
	2004	1,056	2019
	2005	92	2020
	2006	1,314	2021
	2007	7,275	2022
	2008	1,185	2023
	2009	1,434	2024
	2010	713	2025
	2011	39	2026
	2012	123	2027
	2013	112	2028
	2014	23	2029
		39,730	

Reinvestment of extraordinary profit

Until 31 December 2014, prevailing legislation allowed a 12% tax credit to be taken on profit obtained on the sale of certain items of property, plant and equipment, intangible assets and investments of 5% or more in companies outside the tax group, so long as the profit is reinvested in full in assets of the same characteristics. Qualifying reinvestments must take place within the three years following the sale or in the year preceding the transaction.

The Parent has met in full its reinvestment commitments for the last five years within the timeframes established by prevailing legislation, as shown below:

	Thousands of euros		
	2009	2010	2011
Profit on which tax credit for reinvestment was taken	11,236	3,106	251
Reinvestment commitments	154,283	24,500	25,000
Reinvested by the Company	136,423	7,382	19,250

Also under prevailing legislation, for the deduction for reinvestment of extraordinary gains to be applicable, the asset acquired with the proceeds must be held for a five-year period (three years, in the case of financial investments), unless the assets failing to comply with the deadline are reinvested within the prevailing timeframe. The terms for holding the amounts reinvested by the Company are as follows:

	Thousands of euros				
	2015	2016	2017	2018	2019
Reinvested by the Company	70,442	5,642	27,614	7,345	19,250
Associated profit	5,957	220	1,009	931	23

The directors of the Parent believe that the Parent or its tax group, as appropriate, will comply with the stipulated timeframes.

Deferred tax liabilities

The breakdown of deferred tax liabilities and the changes therein are provided below:

	Thousands of euros			
Deferred tax liabilities	31 December 2013	Additions	Retirements	31 December 2014
Asset revaluations	162,088	28,184	-	190,272
Deferral for reinvestment	7,251	-	(724)	6,527
	169,339	**28,184**	**(724)**	**196,799**

Deferred tax liability for asset revaluations

This deferred tax liability corresponds fundamentally to the difference between the accounting cost of investment properties measured at fair value (under IFRSs) and their tax cost (acquisition cost less depreciation). Deferred tax liabilities are measured as a general rule (except as set out in Note 4-m) by applying a rate of 30% to the difference between the carrying amount and tax values of the various assets, net, where appropriate, of monetary corrections.

Other non-current tax liabilities

The non-current tax liabilities are detailed in the table below:

Description	Thousands of euros	
	31 December 2014	31 December 2013
Deferrals	1,356	6,330
Exit tax SFL	5,595	9,107
	6,951	**15,437**

Tax extensions

At 31 December 2014, the Parent was granted the following extensions by the tax authorities:

- Permission to defer over five years the payment of 30,244 thousand euros relating to the 2007 income tax expense of the absorbed subsidiary Subirats-Coslada Logística, S.L.U., granted in 2008. This debt is secured by mortgages against various properties of Asentia Project, S.L.U. In 2013 the payment schedule was restructured, deferring amounts payable at that time for an additional three-year period.

- Permission to defer over five years the payment of 15,325 thousand euros related to the VAT expense for 2008, granted in 2009. This debt is secured by a mortgage against a property owned by Asentia Project, S.L.U. in favour of the tax authorities. In 2013 the payment schedule was restructured, deferring amounts payable at that time for an additional three-year period.

- Permission to defer over five years payment of a total of 14,844 thousand euros of stamp duty accrued as a result of the cancellation and re-grant of the mortgage on all of the rental properties owned by the Parent in Spain, provided as collateral as part of the 2010 syndicated financing agreement. Of this sum, 6,763 thousand euros corresponds to properties located in Catalonia and 8,081 thousand euros to assets located in Madrid. This debt was secured by mortgages on various properties owned by Asentia Project, S.L.U.

The maturity schedule for the deferred payments, excluding interest, at 31 December 2014 and 2013 is as follows:

31 December 2014

	Thousands of euros				
	Current	Non-current			Total
	1 year	2 years	3 years	Total non-current	
VAT	1,056	-	-	-	1,056
Stamp duty Catalonia	510	-	-	-	510
Stamp duty Madrid	407	-	-	-	407
Income tax 2007	1,686	984	-	984	2,670
Total	**3,659**	**984**	**-**	**984**	**4,643**

31 December 2013

	Thousands of euros				
	Current	Non-current			Total
	1 year	2 years	3 years	Total non-current	
VAT	1,237	1,056	-	1,056	2,293
Stamp duty Catalonia	2,040	510	-	510	2,550
Stamp duty Madrid	2,442	407	-	407	2,849
Income tax 2007	1,686	1,686	983	2,669	4,355
Income tax 2008 (*)	1,612	-	-	-	1,612
Income tax 2010 (*)	48	-	-	-	48
Total	**9,065**	**3,659**	**983**	**4,642**	**13,707**

(*) Both deferrals ended in 2014 according to the established payment schedule.

At 31 December 2014 and 2013, accrued interest on the above deferrals amounted to 1,647 thousand and 3,515 thousand euros, respectively.

In 2014 and 2013, the tax authorities offset several tax credits for the amount of the aforementioned deferred payables.

Other tax issues

In 2011, tax audits were initiated at absorbed companies Dehesa de Valme, S.L. and Entrenúcleos Desarrollo Inmobiliario, S.L. with a focus on the 2006 and 2007 filings. In 2013, the Parent signed tax assessments on an uncontested basis in the amount of 1,648 thousand euros plus late payment interest of 430 thousand euros. The assessments primarily relate to discrepancies in timing differences for certain sales costs recognised in the income tax returns of the companies audited.

In 2013, the Parent was notified of the start of a partial income tax audits for 2008, restricted to certain corporate transactions performed in said year. In 2014, uncontested assessments on the partial tax audits were handed down in reference to income tax for 2008, without any adjustment to the tax base being made or penalty being imposed.

At 31 December 2014, tax audits were being carried out at certain SFL Group companies for sundry taxes for immaterial amounts. The Group does not expect material liabilities to arise as a result of these audits.

The Group has the last four years open for review by the tax inspection authorities for all applicable taxes in Spain and France, except income tax of Spanish companies with tax loss carryforwards or unused tax credits, in which case the period under review for this tax is extended to ten years. No additional material liability for the Group is expected to arise in the event of a new tax audit.

19. Contingent assets and liabilities

Guarantee commitments to third parties

On 24 November 2004, a share purchase agreement was signed between Inmobiliaria Colonial, S.A. and Prédica. In the shareholders agreement signed between both companies, the Parent undertook to purchase the aforementioned shares from Prédica, at the latter's request, under certain circumstances at the prevailing market value. In 2014, the Financial Markets Authority (AMF), the body responsible for the supervision and inspection of the French securities markets, was notified that the shareholders agreement entered into between the Parent and Prédica ended on 24 November 2014 and was not renewed.

Accordingly, the SFL subgroup has the following shareholders agreements with Prédica:

- Agreement in SCI Washington, in which SFL holds 66%. In the event of a change of control of SFL, Prédica may consent to the change of control, or acquire or sell all of the shares and current accounts held by SFL in the common subsidiary, at a price agreed between the parties or at market value.

- Agreement in Parholding, in which SFL holds 50%. In the event of a change of control of SFL, Prédica may consent to the change of control, or acquire or sell all of the shares and current accounts held by SFL in the common subsidiary, at a price agreed between the parties or at market value.

Contingent assets

The Parent has brought the following corporate liability lawsuits against certain former directors:

- A corporate action for liability against certain former directors in relation to the purchase of assets by the Parent for reinvestment of the proceeds by the sellers in shares of the Company, as part of the 29 June 2006 equity issue or otherwise.

- A corporate action for liability against certain former directors in connection with the losses caused by the acquisition of shares of Riofisa in 2007.

- A corporate action for liability against certain former directors in connection with the purchase of treasury shares between March and December 2007, both months inclusive. In February 2015 and prior to the authorisation for issue of these consolidated financial statements, a ruling was handed down by the Supreme Court dismissing the claims filed by the Parent, which was ordered to pay costs. However, the Court upheld the grounds relating to the validity of the resolution for filing a corporate action for liability. The Parent's directors do not expect this ruling to have a significant impact on the consolidated financial statements, given that at 31 December 2014 the appropriate provision had been recognised to meet any possible costs (Note 17).

Other contingencies

Since February 1999, the Parent has been awaiting a ruling on various suits brought in connection with a purchase agreement signed for the acquisition of the building located at Francisco Silvela, 42 in Madrid for 21,799 thousand euros, which are recognised under “Trade payables”. Inmobiliaria Colonial, S.A. has deposited a bank guarantee in court for the amount on which payment is pending (Note 16). On 19 March 2014, the Parent and the sellers signed an agreement setting out the formalisation of the purchase of the asset by the Parent and the related payment of the outstanding amount, thereby putting an end to the court proceedings. At the date of authorisation for issue of these consolidated financial statements, this agreement between the parties is pending approval by the court.

20. Income and expenses

a) Revenue

Revenue comprises basically rental income from the Group’s rental properties which are concentrated in the cities of Barcelona, Madrid and Paris. Revenue amounted to 211,477 thousand and 213,111 thousand euros, respectively, at 31 December 2014 and 2013. The breakdown by geographical segments is as follows:

Rental business	Thousands of euros	
	2014	2013
Spain	59,969	63,796
France	151,508	149,315
	211,477	**213,111**

Revenue in 2014 and 2013 includes the effect of deferring grace periods and rent reset clauses throughout the term elapsing between the start of the lease and the first option for renewing the lease agreements. Revenue also includes the accrued amounts received in connection to rights of entry. These accruals increased revenue during the year ended 31 December 2014 by 10,230 thousand euros (by 2,138 thousand euros in the year ended 31 December 2013).

At 31 December 2014 and 2013, the total minimum future lease payments receivable corresponding to the Group's non-cancellable operating leases, based on the leases currently in force, without taking into account the impact of common expenses, future increases in the CPI or future contractual lease payment revisions, was as follows:

Minimum operating lease payments	Thousands of euros	
	Nominal amount	
	31 December 2014	31 December 2013
Within one year	214,989	199,813
Spain	*58,389*	*55,914*
France	*156,600*	*143,899*
Between one and five years	527,593	467,325
Spain	*85,603*	*86,606*
France	*441,990*	*380,719*
After five years	187,265	130,348
Spain	*26,551*	*29,712*
France	*160,714*	*100,636*
Total	**929,847**	**797,486**
Spain	***170,543***	***172,232***
International	***759,304***	***625,254***

b) Other operating income

This heading relates mainly to property services rendered, and amounted to 2,606 thousand and 4,095 thousand euros at 31 December 2014 and 2013, respectively.

c) Staff costs

The breakdown of "Staff costs" in the accompanying consolidated statement of comprehensive income is as follows:

	Thousands of euros	
	2014	2013
Wages and salaries	14,058	15,381
Social security costs	5,019	5,027
Other employee benefit expenses	2,094	(1,428)
Extraordinary remuneration	4,247	-
Termination benefits	528	225
Internal reallocation	(514)	(416)
Total staff costs	**25,432**	**18,789**
Spain	***11,941***	***5,011***
International	***13,491***	***13,778***

"Other employee benefit expenses" includes 1,866 thousand euros corresponding to the cost accrued in 2014 under the Parent's long-term bonus scheme and SFL's share option plan detailed in Note 21. In 2013, the 1,850 thousand euros recognised by the Parent in prior years under the former long-term bonus scheme (Note 21) was reversed, and 175 thousand euros relating to the costs accrued under SFL's share option plan were recognised.

"Extraordinary remuneration" includes mainly the extraordinary bonus and contingent remuneration associated with the restructuring of the Parent's syndicated financial debt (Notes 17 and 23) paid after the transactions described in Note 2-f were carried out, once the process of restructuring the financial debt and the capitalisation of the Parent was successfully completed.

Group headcount at 31 December 2014 and 2013, as well as the average headcount in 2014, employed in continuing operations, broken down by job category and gender, was as follows:

	Number of employees				Average headcount, 2014	
	2014		2013			
	Men	Women	Men	Women	Men	Women
General and area managers	12	5	12	6	12	6
Technical graduates and middle managers	31	25	31	22	31	23
Clerical staff	13	57	13	59	13	58
Other	1	1	1	1	1	1
	57	**88**	**57**	**88**	**57**	**88**

At 31 December 2013, the Group had 16 men and 12 women employed in discontinued operations, who no longer formed part of the group after the Parent reduced its ownership interest in Asentia Project, S.L.U., as mentioned in Note 2-f.

d) Other operating expenses

The breakdown of "Other operating expenses" in the consolidated statement of comprehensive income is as follows:

	Thousands of euros	
	2014	2013
External services and other expenses	13,870	14,950
Taxes other than income tax	40,463	25,047
Total	**54,333**	**39,997**

e) Net change in impairment of trade receivables

The movement in “Impairment of trade receivables” was as follows:

	Thousands of euros	
	2014	2013
Opening balance	156,604	160,674
Net change	891	(4,070)
Closing balance	**157,495**	**156,604**

Of this total, 152,189 thousand euros related to the impairment of receivables from Nozar, S.A. and N.Z. Patrimonio, S.L.U. (Note 12).

During 2013, the Parent reached several agreements with lessees whereby the amounts provisioned in prior years could be reversed.

The breakdown, by nature, of the impairment charges recognised under “Impairment charges and net gains/(losses) on assets” in the consolidated statement of comprehensive income is as follows:

	Thousands of euros	
	2014	2013
Impairment of goodwill (Note 7)	(120,000)	-
Impairment of property for own use (Note 8)	340	(649)
Derecognitions of replaced assets (Note 9)	(4,919)	-
Impairment charges and net gains/(losses) on assets	**(124,579)**	**(649)**

f) Net gain/(loss) on sales of assets and change in fair value of investment property

The following table breaks down the Group's gains/(losses) from asset sales (Notes 9 and 24):

	Thousands of euros					
	Sale price		Costs to sell		Net gain/(loss) on sale	
	2014	2013	2014	2013	2014	2013
Spain	93	97,862	120	104,741	(27)	(6,879)
France	-	290,371	-	292,548	-	(2,177)
Total	**93**	**388,233**	**120**	**397,289**	**(27)**	**(9,056)**

The breakdown of changes in the fair value of investment properties in 2014 and 2013 is as follows:

	Thousands of euros	
	2014	2013
Change in fair value by statement of financial position heading		
Investment property (Note 9)	335,171	66,439
Non-current assets held for sale – Investment property (Note 24)	(3,218)	(29,009)
Change in fair value of investment property recognised in the statement of comprehensive income	**331,953**	**37,430**
Spain	***104,411***	***(109,861)***
International	***227,542***	***147,291***

g) Finance income and costs

The breakdown of finance income and costs in 2014 and 2013 is as follows:

	Thousands of euros	
	2014	2013
Finance income:		
Revenue from equity instruments (Notes 11 and 24)	8,614	5,263
Other interest and similar income	817	3,456
Income from derivative financial instruments (Note 15)	2,498	3,157
Capitalised borrowing costs (Note 4.c)	7,473	10,985
Total finance income	**19,402**	**22,861**
Share of profit/(loss) of companies accounted for using the equity method (Note 10)	**(2,176)**	**20,969**
Finance costs:		
Finance and similar expenses	(197,984)	(214,118)
Finance costs associated with the repurchase of bonds	(22,384)	-
Expenses arising from derivative financial instruments (Note 15)	(11,998)	(21,605)
Total finance cost	**(232,366)**	**(235,723)**
Impairment of financial assets (Note 12)	**(3,733)**	**(107)**
Total financial loss	**(218,873)**	**(192,000)**

“Revenue from equity instruments” includes 8,485 thousand euros relating to the positive margin from the sale of the interest that SFL held in SIIC de Paris and that was transferred in 2014 (Note 24).

“Finance and similar expenses” includes 41,030 thousand and 76,115 thousand euros for 2014 and 2013, respectively, for interest accrued upon application of the additional interest spread to the balances drawn down on the Parent's former syndicated loan (Note 14), which was cancelled in 2014. In addition, the restructuring of financial debt led to the recognition of the following impacts on financial profit/(loss) in the consolidated statement of comprehensive income:

- Inclusion of arrangement expenses and recycling of the "valuation adjustments" associated with the hedging instruments for the previous syndicated loan amounting to 4,997 thousand and 5,425 thousand euros, respectively, once the aforementioned loan has been written off in accordance with that described in Notes 14 and 13.

- Likewise, in line with that described in Note 14, the Group recognised various costs associated with the arrangement of the new syndicated loan, for a joint amount of 23,200 thousand euros, in the consolidated statement of comprehensive income for 2014. In the case of investments in the previous syndicated loan and the bilateral loans included in the Parent's new syndicated loan (Notes 2-g and 14), there was a substantial change in its debt (Note 4-e) and, therefore, these costs were taken to the consolidated statement of comprehensive income.

- Lastly, in relation to the three new hedging instruments arranged in 2014 by the Parent (Note 15), the Group recognised the premium paid in the arrangement of such instruments, amounting to 8,580 thousand euros, in the consolidated statement of comprehensive income. At 31 December 2014, the fair value of these financial instruments was not material.

Lastly, "Finance costs associated with the repurchase of bonds" includes the cost of 300,000 thousand euros borne by SFL to repurchase the bonds it had issued in 2014 (Note 14), which amounted to 22,384 thousand euros.

h) Related party transactions

The main related party transactions undertaken in 2014 and 2013 were as follows:

	Thousands of euros			
	2014		2013	
	Interest income (cost)	Building leases and other income	Interest income (cost)	Building leases and other income
Gas Natural, SDG, S.A.	-	5,971	-	5,943
Commerzbank (*)	-	-	(2,980)	-
CaixaBank, S.A. (**)	(92)	-	(2,170)	5,471
Banco Popular Español, S.A. (**)	(4)	-	(65)	-
The Royal Bank of Scotland Group, PLC (**)	(78)	-	(24,491)	-
Crédit Agricole – CIB (***)	(10,547)	80	(27,299)	150
Coral Partners (Lux), S.A.R.L. (***)	(10,374)	-	(23,515)	-
Total	**(21,095)**	**6,051**	**(80,520)**	**11,564**

(*) Includes transactions concluded with Commerzbank up until October 2013, when that entity disposed of its interest.
(**) Includes transactions with CaixaBank, S.A., Banco Popular Español, S.A. and Royal Bank of Scotland Group, PLC up until January 2014, when their shares were disposed of, according to a notice to the CNMV.
(***) Includes transactions with Crédit Agricole – CIB and Coral Partners (Lux), S.A.R.L. up until April 2014, when their shares were disposed of, according to a notice to the CNMV.

i) Results by consolidated company

The contribution of the consolidated companies to profit/(loss) for the year was as follows:

Company	Thousands of euros					
	Consolidated profit/(loss)		Profit/(loss) attributable to non-controlling interests		Profit/(loss) attributable to shareholders of the Parent	
	2014	2013	2014	2013	2014	2013
Inmobiliaria Colonial, S.A.	392,553	(240,461)	-	-	392,553	(240,461)
Torre Marenostrum, S.A.	2,877	347	(1,222)	(84)	1,655	263
SFL subgroup	240,229	182,696	(135,148)	(104,395)	105,081	78,301
Riofisa subgroup	1,742	(172,064)	(121)	22,447	1,621	(149,617)
Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U.	(323)	(57,688)	-	-	(323)	(57,688)
Asentia Project, S.L.U	(8,563)	(174,279)	-	-	(8,563)	(174,279)
Abix Service, S.L.U.	-	(2,426)	-	-	-	(2,426)
Asentia Invest, S.L.	(1)	-	-	-	(1)	-
Asentia Gestión, S.L.U	(1)	-	-	-	(1)	-
Inmocaral Servicios, S.A.U.	(28)	(1,021)	-	-	(28)	(1,021)
Total	**628,485**	**(464,896)**	**(136,491)**	**(82,032)**	**491,994**	**(546,928)**

21. Share option plans

Long-term bonus scheme linked to delivery of several management indicators

In 2011, the Parent set up a long-term share-based payment scheme for the Chairman and CEO of Inmobiliaria Colonial, S.A., as well as for the members of the Group's Executive Committee. The plan can be settled only in Parent shares and is dependent on compliance of certain targets set in the plan, all referring to a four-year period from 1 January 2011 to 1 January 2015.

As this scheme is payable in Parent shares, the balancing entry for this expense in recognised directly in Group equity (Note 4-j).

At 31 December 2013, the expected percentage take-up of these shares was reassessed and was set at 0%, whereby the entire amount of 1.850 thousand euros taken to the Parent's equity was fully reversed (Note 20-c).

On 21 January 2014, the General Shareholders' Meeting of the Parent resolved to scrap the current plan and approve a new one.

New long-term bonus scheme linked to delivery of several management indicators

On 21 January 2014, the shareholders at the Parent's General Shareholders' Meeting set up a long-term bonus scheme for the Chairman and Chief Executive Officer of Inmobiliaria Colonial, S.A. and for members of the Group's Executive Committee that will apply from 2015 to 2019.

From 1 to 15 April in each of these years, the Board of Directors must, in response to a proposal submitted by the Nomination and Remuneration Committee, determine the number of shares to be allotted to each beneficiary under the plan based on the fulfilment of the indicators for the previous year. Such shares will be delivered to the beneficiaries from 15 to 30 April of each year.

Shares received under this plan may not be sold or transferred by beneficiaries within the first three years after the date of receipt except as necessary to pay any taxes chargeable as a result of receiving the benefit.

The determination of shares to be allotted will be subject to a final adjustment to ensure that the cash value of such shares does not exceed the average Colonial share price for November 2013 by more than 150%.

The plan includes the customary clauses for adapting the number of shares to be received by the beneficiaries in cases of dilution.

In 2014, the Parent recognised 1,190 thousand euros under “Staff costs - Other employee benefit expenses” in the consolidated statement of comprehensive income to cover the incentive plan (Note 20-c).

Share option plans on SFL shares

At 31 December 2014, SFL had two share option plans for executive directors and senior managers of the SFL subgroup. These options can be exercised at any time at the strike price. The strike price for each of the share option plans was set by reference to the average share price over a specific period.

	Purchase options (*)
Date of approval of share option plan	13/03/2007
End of exercise period	13/03/2015
Strike price per share	58.97
Options at 31 December 2013	208,297
Options granted in 2014	3,910
Options cancelled in 2014	(10,497)
Options not exercised at 31 December 2014	201,710

(*) SFL holds treasury shares in the amount needed to service the share option plan (Note 13).

The SFL Group has not applied fair value criteria to these employee share option plans since the impact is not material.

In addition, SFL had two bonus share plans at 31 December 2014, the breakdown of which is as follows:

	Plan 1		
Meeting date	09/05/2011		
Board of Directors date	16/02/2012	05/03/2013	04/03/2014
Exercise date, starting on	31/12/2014	31/12/2015	31/12/2016
% expected	70.83%	70.83%	70.83%
Target number	32,988	35,144	33,981
Expected number	23,366	24,892	24,069
Amount per share	€29.08	€31.65	€31.48
Options cancelled	-2,376	-7,450	-10,428
Estimated number at year-end	20,990	17,442	13,641

Each allocation plan has been calculated based on the expected number of shares multiplied by the unit fair value of those shares. The expected number of shares is the total number of shares multiplied by the expected percentage of take-up in the grant, which is expected to be 70.83% for the plans of SFL. The resulting amount is charged on a straight-line basis over the grant period.

The fair value of the shares allocated is determined by the quoted price at the grant date, adjusted by the discounted value of future dividends paid during the acquisition period applying the Capital Asset Pricing Model (CAPM).

At 31 December 2014, 676 thousand euros were recognised in the consolidated statement of comprehensive income relating to these bonus share plans (Note 20-c). In 2014, 20,516 bonus shares were allocated in accordance with SFL's former Plan 2 of 2012, thereby fully cancelling the plan.

22. Year-end balances with related parties and associates

At 31 December 2014, the Group did not have any balances outstanding with related parties or associates. At 31 December 2013, the Group had the following balances outstanding with related parties and associates:

	Thousands of euros				
Asset / (Liability) Company	Syndicated loans (Note 14)	Lines of credit received (Note 14)	Other loans received (Note 14)	Interest on borrowings (Note 14)	Net derivative financial instruments (Note 15)
The Royal Bank of Scotland Group, PLC	-	-	-	-	2
Crédit Agricole – CIB	(372,728)	(19,735)	-	(4,348)	1
Coral Partners (Lux), S.A.R.L.	(362,351)	-	-	(4,201)	-
CaixaBank, S.A.	(2,502)	-	(44,456)	(110)	(2,040)
TOTAL	**(737,581)**	**(19,735)**	**(44,456)**	**(8,659)**	**(2,037)**

23. Director and senior management compensation and other benefits

Compensation of Board members

In 2014, the Parent recorded an expense of 5,235 thousand euros in relation to wages and salaries, incentives, attendance fees and bylaw-stipulated compensation earned by serving members of the Board of Directors. The details of this compensation are as follows:

	Thousands of euros		
	Inmobiliaria Colonial, S.A.	Other Group companies	Total
Compensation paid to executive directors (*):	**3,561**	**150**	**3,711**
Attendance fees:	**518**	**126**	**644**
Director attendance fees	460	126	550
Additional attendance fees for the Chairman	58	-	94
Fixed compensation:	**880**	**-**	**880**
Directors' remuneration	470	-	470
Additional remuneration for the Executive Committee	172	-	172
Additional remuneration for the Audit and Control Committee	114	-	114
Additional remuneration for the Nomination and Remuneration Committee	124	-	124
Total	**4,959**	**276**	**5,235**
Remuneration earned by executive directors	3,876	222	4,098

(*) Includes the remuneration earned by the directors in carrying out senior management functions. It also includes the amount received for extraordinary and contingent remuneration for restructuring, which amounts to 2,520 thousand euros.

Director compensation accrued in 2013 amounted to 2,702 thousand euros, with 1,222 thousand euros earned by the executive directors, 623 thousand euros in per diems and 857 thousand euros in fixed remuneration.

At 31 December 2014 and 2013, the Parent had a civil liability insurance policy covering all of its directors, executives and staff, for a total of 420 thousand and 545 thousand euros, respectively.

The Group has not granted any loans and has not taken out any pension plans or life insurance for the former or serving members of the Board of Directors of the Parent.

At 31 December 2014, two members of the Board of Directors had signed golden parachute clauses in the event of certain cases of termination or change of control, all of which were approved by the shareholders at the General Meeting.

The Parent’s Board of Directors was made up of nine men and two women at 31 December 2014, and of seven men at 31 December 2013.

Following the changes in the Parent's shareholder structure, the detail of the Board of Directors at 31 December 2014 was as follows:

Director	Position
Juan José Brugera Clavero	Chairman
Villar Mir, S.A.U. Group represented by Juan-Miguel Villar Mir	Deputy Chairman
Pedro Viñolas Serra	Chief Executive Officer
Carlos Fernández-Lerga Garralda	Lead Director
Juan Villar-Mir de Fuentes	Director
Silvia Villar-Mir de Fuentes	Director
Juan Carlos García Cañizares	Director
Francesc Mora Sagués	Director
Ana Sainz de Vicuña	Director
Javier Iglesias de Ussel Ordís	Director
Luis Maluquer Trepat	Director

In 2014, the directors Javier Faus Santasusana and HDA Conseil, S.A.R.L., represented by Henri Goüin d’Àmbrières, resigned.

Pursuant to Article 229 of the Spanish Limited Liability Companies Law, the directors have reported that neither they nor any parties related thereto have any direct or indirect conflict with the interests of the Parent.

Compensation of senior management

The Parent’s senior management team is formed by senior executives and other persons responsible for the management of the Company, reporting to the CEO. At 31 December 2014, the senior management team was composed of two men and two women, while at 31 December 2013 it was composed of one man and two women.

Compensation earned by senior management in 2014 and 2013 amounted to 2,151 thousand and 874 thousand euros, respectively, relating to wages and salaries, and in 2014, it included the extraordinary and contingent compensation for the restructuring performed amounting to 1,220 thousand euros.

At 31 December 2014 and 2013, one member of senior management had signed a golden parachute clause, triggered in the event of termination under certain circumstances or change of control.

Extraordinary and contingent compensation pursuant to 'Debt restructuring agreement'

On 27 June 2013, at the proposal of the Nomination and Remuneration Committee, the Board of Directors resolved to pay a compensation bonus of up to 4,000 thousand euros to members of the Executive Committee of Colonial. Receipt of such bonus was subject to Colonial carrying out the restructuring of its syndicated debt, which fell due on 31 December 2014.

In view of the state of progress of restructuring the Parent's debt at 31 December 2013, a provision of 4,000 thousand euros was recognised under "Current provisions" in the consolidated statement of financial position, based on the expectation that the process would be completed successfully.

Following the performance of the transactions described in Note 2-f, the debt restructuring process was successfully completed; accordingly, the Board of Directors, following to a report by the Nomination and Remuneration Committee, has set the exact amounts and distribution methods.

24. Non-current assets held for sale and discontinued operations

The movements under this heading in 2014 and 2013 were as follows:

	Thousands of euros			
	Investment property	**Assets of the Asentia subgroup**	**Total assets held for sale**	**Liabilities of the Asentia subgroup**
Balance at 31 December 2012	**386,864**	**1,236,942**	**1,623,806**	**1,655,791**
Additions	1,974	-	1,974	-
Disposals or reductions	(386,710)	(448,431)	(835,141)	(117,933)
Transfers	81,118	-	81,118	-
Impairment (Note 20-f)	(29,009)	-	(29,009)	-
Balance at 31 December 2013	**54,237**	**788,511**	**842,748**	**1,537,858**
Changes in the scope of consolidation (Note 2-f)	-	(788,511)	(788,511)	(1,537,858)
Transfers (Notes 9 and 10)	(34,480)	-	(34,480)	-
Impairment (Note 20-f)	(3,218)	-	(3,218)	-
Balance at 31 December 2014	**16,539**	**-**	**16,539**	**-**

Investment property (Note 9)

Changes in 2014

After refinancing the Parent's debt, as mentioned in Note 2-f, the Parent's sales plan was reviewed and a property located in Madrid was reclassified to "Investment property" in the consolidated statement of financial position, given that it is not expected to be sold in the short term. The amount of property transferred amounts to 34,480 thousand euros.

Changes in 2013

The main transactions carried out in 2013 were as follows:

- SFL sold the Mandarin Oriental Hotel for 290,000 thousand euros, incurring a loss on disposal of 2,209 thousand euros.

- The Parent sold a property in Madrid for 73,000 thousand euros, incurring a loss of 4,070 thousand euros. This asset had been transferred from “Investment property”.

- The Parent also sold the property in Barcelona (Samontà 19-21) for a total price of 17,662 thousand euros, incurring a loss on the disposal of 2,110 thousand euros.

- Lastly, the Parent sold the car park in the Centro Norte building for 7,200 thousand euros, incurring a loss of 953 thousand euros.

A building was transferred to “Investment property” for 18,300 thousand euros in 2013.

Assets and liabilities relating to assets held for sale in the group of companies headed by Asentia Project

As indicated in Note 4-s, the Group considered its investment in the Asentia subgroup to be a non-current asset held for sale, and the activity corresponding to the development and land segment to be a discontinued operation. Accordingly, the Group classified all assets and liabilities associated with the Asentia subgroup under “Non-current assets held for sale” and “Liabilities related to assets held for sale” in the consolidated statement of financial position. Following the exclusion from the scope of consolidation of the Asentia subgroup mentioned in Note 2-f, the Group derecognised all assets and liabilities associated with this subgroup. The impact of this derecognition on the consolidated statement of comprehensive income is detailed in Note 2-f.

The table below breaks down the amounts under “Non-current assets held for sale” and “Liabilities relating to assets held for sale” in the consolidated statement of financial position corresponding to the subgroup headed by Asentia Project.

Consolidated statement of financial position breakdown for discontinued operations at 31 December 2013

ASSETS	31 December 2013	LIABILITIES	31 December 2013
Intangible assets	8		
Property, plant and equipment held under concession and concession work in progress	79,966		
Property, plant and equipment	176	Bank borrowings and other financial liabilities	24,372
Investment property	32,082	Non-current deferred tax liabilities	10,904
Non-current financial assets	14,798	Non-current provisions	11,967
Non-current deferred tax assets	2,951	Other non-current liabilities	3,487
NON-CURRENT ASSETS	**129,981**	**NON-CURRENT LIABILITIES**	**50,730**
Inventories	618,695		
Trade and other receivables	7,553		
Current financial assets	2,352	Bank borrowings and other financial liabilities	1,423,297
Current tax assets	1,462	Trade payables	59,367
Cash and cash equivalents	28,468	Current tax liabilities	4,464
CURRENT ASSETS	**658,530**	**CURRENT LIABILITIES**	**1,487,128**
TOTAL ASSETS	**788,511**	**TOTAL EQUITY AND LIABILITIES**	**1,537,858**

Consolidated statement of comprehensive income breakdown for discontinued operations at 31 December 2013

	Thousands of euros
	2013
Revenue	43,026
Cost of sales	(62,237)
Other income	2,135
Staff costs	(3,593)
Other operating expenses	(10,130)
Depreciation and amortisation charge	(1,451)
Net change in provisions	5,474
Operating profit	**(26,776)**
Change in fair value of investment property	(7,946)
Impairment charges and net gains/(losses) on assets	(356,220)
Finance income	56,920
Finance costs	(71,369)
Loss before tax	**(405,391)**
Income tax expense (Note 18)	339
Consolidated net loss	**(405,052)**
- attributable to shareholders of the Parent (Note 5)	(382,604)
- attributable to non-controlling interests (Note 13)	(22,448)
Basic and diluted loss per share	**(1.706)**
- from discontinued operations (Note 5)	(1.706)

The breakdown of "Impairment charges and net gains/(losses) on assets" is as follows:

	Thousands of euros
	2013
Impairment of assets held under concession	(25,620)
Inventory write-downs	(330,475)
Derecognitions of replaced assets	(125)
Impairment charges and net gains/(losses) on assets	**(356,220)**

25. Auditors' fees

Fees incurred for auditing services in 2014 and 2013 provided to the various companies composing the Colonial Group by the principal auditor and other auditors are set forth below:

	Thousands of euros	
	Principle auditor	Other auditors
2014 -		
Audit services	546	307
Audit-related services	14	-
Other professional services	593	15
Total 2014	**1,153**	**322**
2013 -		
Audit services	901	348
Audit-related services	21	-
Other professional services	186	7
Total 2013	**1,108**	**355**

No fees were invoiced for tax advisory services.

The principal auditor of the Colonial Group is Deloitte, S.L.

The principal auditor's fees represent less than 1% of the Group revenue in Spain.

26. Events after the reporting period

From 31 December 2014 to the date on which these consolidated financial statements were authorised for issue, no significant events took place and there were no other matters worthy of mention.

27. Explanation added for translation to English

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

APPENDIX I
Companies included in the scope of consolidation

At 31 December 2014 and 2013, fully consolidated subsidiaries and related information were as follows:

	% shareholding					
	Direct		Indirect		Shareholder	Line of business
	31/12/2014	31/12/2013	31/12/2014	31/12/2013		
Torre Marenostrum, S.L. Avda. Diagonal 532 08006 Barcelona (Spain)	55%	55%	-	-		Real estate
Colonial Invest, S.L.U. Avda. Diagonal 532 08006 Barcelona (Spain)	100%	100%	-	-		Real estate
Colonial Tramit, S.L.U. Avda. Diagonal 532 08006 Barcelona (Spain)	100%	100%	-	-		Real estate
Abix Service, S.L.U. Avda. Diagonal 532 08006 Barcelona (Spain)	Merged	100%	-	-		Real estate
Société Foncière Lyonnaise, S.A. (SFL) 42, rue Washington 75008 Paris (France)	53.14%	53.14%	-	-		Real estate
Condorcet Holding SNC 42, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Real estate
Condorcet PROPCO SNC 42, rue Washington 75008 Paris (France)	-	-	100%	100%	Condorcet Holding SNC	Real estate
SCI Washington 42, rue Washington 75008 Paris (France)	-	-	66%	66%	SFL	Real estate
SCI 103 Grenelle 42, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Real estate
SCI Paul Cézanne 42, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Real estate
Segpim, S.A. 42, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Sales of real estate and rendering of services
Locaparis, SAS 42, rue Washington 75008 Paris (France)	-	-	100%	100%	Segpim	Sales of real estate and rendering of services
Maud, SAS (formerly, SB1, SAS) 42, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Real estate
SB2, SAS 42, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Real estate
SB3, SAS 42, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Real estate
SCI SB3 42, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Real estate

	% shareholding					
	Direct		Indirect		Shareholder	Line of business
	31/12/2014	31/12/2013	31/12/2014	31/12/2013		
SC Parholding 42, rue Washington 75008 Paris (France)	-	-	50%	50%	SAS Parholding	Real estate
SC Parchamps 42, rue Washington 75008 Paris (France)	-	-	50%	50%	SAS Parholding	Real estate
SC Pargal 42, rue Washington 75008 Paris (France)	-	-	50%	50%	SAS Parholding	Real estate
SC Parhaus 42, rue Washington 75008 Paris (France)	-	-	50%	50%	SAS Parholding	Real estate
Asentia Project, S.L.U. Avda. Diagonal 532 08006 Barcelona (Spain)	3.79%	100%	-	-		Real estate
Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U. Avda. Diagonal 532 08006 Barcelona (Spain)	-	-	100%	100%	Asentia Project, S.L.U.	Real estate
Inmocaral Servicios, S.A.U. Paseo de la Castellana, 52 Madrid (Spain)	-	-	100%	100%	Asentia Project, S.L.U.	Real estate
Riofisa, S.A.U. Avda. Diagonal 532 08006 Barcelona (Spain)	-	-	100%	100%	Asentia Project, S.L.U.	Real estate
Riofisa Sur, S.L. Paseo de la Castellana, 52 28046 Madrid (Spain)	-	-	50.10%	50.10%	Riofisa, S.A.U.	Real estate
Necsa, Nuevos Espacios Comerciales, S.A. Paseo de la Castellana, 52 28046 Madrid (Spain)	-	-	60%	60%	Riofisa, S.A.U.	Real estate
Nuevas Estaciones del Ferrocarril, S.A. Paseo de la Castellana, 52 28046 Madrid (Spain)	-	-	60%	60%	Riofisa, S.A.U.	Real estate
Riofisa Espacios Inmobiliarios, S.L.U. Paseo de la Castellana, 52 28046 Madrid (Spain)	-	-	100%	100%	Riofisa, S.A.U.	Real estate
Riofisa Internacional, S.L. Paseo de la Castellana, 52 28046 Madrid (Spain)	-	-	99.99% 0.01%	99.99% 0.01%	Riofisa, S.A.U. Riofisa Desarrollos Internacionales, S.L.	Real estate
Riofisa Sema, S.L. Paseo de la Castellana, 52 28046 Madrid (Spain)	-	-	100%	100%	Riofisa Internacional, S.L.	Real estate
Riofisa Desarrollos Internacionales, S.L. Paseo de la Castellana, 52 28046 Madrid (Spain)	-	-	100%	100%	Riofisa Internacional, S.L.	Real estate
Riofisa Real Estate, S.R.L. Sector 1, World Trade Centre Bucharest, Piata Montreal, Nr 10 Bucharest (Romania)	-	-	100%	100%	Riofisa Internacional, S.L.	Real estate
Riofisa Bulgaria Eood “Sredets” region, 2a Saborna Str. Floor 3 Sofia (Bulgaria)	-	-	100%	100%	Riofisa Internacional, S.L.	Real estate

	% shareholding					
	Direct		Indirect		Shareholder	Line of business
	31/12/2014	31/12/2013	31/12/2014	31/12/2013		
Riofisa Developments Eood “Sredets” region, 2a Saborna Str. Floor 3. Sofia (Bulgaria)	-	-	100%	100%	Riofisa Internacional, S.L.	Real estate
Parque Aqua Mágica, S.L. C/ General Riera 3 07003 Palma de Mallorca (Spain)	-	-	69.97%	69.97%	Riofisa, S.A.U. / Asentia Project, S.L.U.	Real estate
Riofisa Dehesa, S.L. Paseo de la Castellana, 52 28046 Madrid (Spain)	-	-	69.30%	69.30%	Riofisa, S.A.U.	Real estate
Riofisa Este, S.L. (formerly, Riofisa Procam, S.L.) Paseo de la Castellana, 52 28046 Madrid (Spain)	-	-	100%	100%	Riofisa, S.A.U.	Real estate

At 31 December 2014 and 2013, the proportionately consolidated subsidiaries and related information were as follows:

	% shareholding					
	Direct		Indirect		Shareholder	Line of business
	31/12/2014	31/12/2013	31/12/2014	31/12/2013		
UTE La Dehesa (Vias y Construcciones, S.A.) Av. Luis de Morales, 32 41018 Seville (Spain)	-	-	-	50%	Inmocaral Servicios, S.A.	Construction
Goldale Real Estate, S.R.L. 24-26 Nordului Road, 5th Floor Room 2 Bucharest (Romania)	-	-	-	50%	Riofisa Internacional, S.L.	Real estate
Masterange Imobiliare, S.R.L. 24-26 Nordului Road, 5th Floor Room 14, District 1 Bucharest (Romania)	-	-	-	50%	Riofisa Internacional, S.L.	Real estate

At 31 December 2014 and 2013, the companies accounted for using the equity method and related information were as follows:

	% shareholding					
	Direct		Indirect		Shareholder	Line of business
	31/12/2014	31/12/2013	31/12/2014	31/12/2013		
SIIC de Paris, S.A. 24, Place Vendôme 75001 Paris (France)	-	-	-	29.63%	SFL	Real estate

At 31 December 2014 and 2013, the Colonial Group companies were audited by Deloitte, S.L., with the exception of the SFL Group, which was audited jointly by Deloitte and PriceWaterhouseCoopers, and Necsa and Nefsa, which were audited by PriceWaterhouseCoopers.

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

Inmobiliaria Colonial, S.A. and Subsidiaries

Consolidated Management Report for the year ended 31 December de 2014

1. Group situation

Macroeconomic context

In 2014, the global economy closed with a general trend of accelerated growth. However, against this backdrop of positive evolution, it is important to point out that some downside risks emerged. After positive signs during the first half of 2014, the year closed with certain volatility. In December, the international markets suffered the impacts of new setbacks. The drop in oil prices, the crisis of the ruble and the instability in Greece have broken the calm felt in previous months. Despite this, 2014 closed with a global growth of 3.2%. 2015 commenced gaining ranks in the global recovery, according to the latest data available, 2015 is expected to see some clearer signs of expansion, which will place global growth at 3.5% for the year.

The eurozone continues to recover, albeit slowly, with differences between countries. To correctly diagnose the deep pulse of the eurozone situation is an exercise plagued with nuances. On the one hand, a growing economic activity can be observed. A shift away from the stagnation in summer and the factors that have boosted this reactivation seem to show a future continuity; private consumption is recovering and the effects of the euro depreciation and the decrease in oil prices will have a significant impact in 2015. However, the remaining outlook is less reassuring: political risks (instability in Greece), economic risks (the recovery rates are too slow and disperse between countries), as well as extraordinary risks deriving from the current situation of low inflation.

The Spanish economy continues with its positive growth. Although the main European economies have reported results which were lower than expected and in some cases even worrying, the Spanish economy shows signs of recovery which are gradually gaining strength. The latest data confirm that, as a result of improved confidence on growth perspectives, domestic demand increased at the end of 2014. In the short term, this factor provides certain autonomy to the Spanish cycle against that which is more contained in the eurozone. On the other hand, regarding inflation, Spain continues to be in the area of falling prices (although this striking fact is greatly the result of the decrease in oil prices). However, according to top analysts, the forecasts foresee that the core inflation will leave this area of zero growth during the first half of 2015. According to analysts, the GDP growth in Spain for 2014 was 1.4% and a growth of 2.3% is expected for 2015, positioning it above the average growth for the eurozone (1.3% in 2015).

In France, growth has been weak. The main indicators confirm the weak recovery, although an improvement is expected in 2015. Analysts confirm a GDP growth of 0.4% in 2014 and 0.8% in 2015.

Source: Monthly report by "la Caixa"

Rental market situation

Barcelona

According to the main brokers, the office take up in Barcelona in 2014 amounted to 258,137 sq m (up 40% compared to 2013), confirming the gradual improvement in the sector. The last quarter of 2014 was the most active with an office take-up of 103,316 sq m, an increase of almost 100% on the previous quarter. The new business districts have attracted most office take-up, accounting for 25% of the take-up in the quarter.

The vacancy rate in the fourth quarter of the year was below 13%, representing a fall in the year of more than one percentage point, equal to more than 100,000 sq m. The main brokers affirm that this decrease in surface area of office stock is largely due to the conversion of the use of the buildings, the majority to hotels. This, together with the lack of future supply, has a direct impact on the vacancy rate.

The trend for 2015 will be a continued decline in the vacancy rate, mainly due to the lack of new office supply to meet the considerable demand in Barcelona, as well as an expected improvement in take-up levels, bearing in mind that pre-crisis levels were reached in 2014.

The CBD vacancy rate has decreased and is at 7.8%.

Maximum rental levels in the Paseo de Gracia/Diagonal area rose slightly to €17.75 sq m/month in the last quarter of 2014, as opposed to the €17.50 sq m/month registered in previous quarters. Office rental levels in Barcelona have started to register a slight increase following a seven-year downward trend. These first signs of an upturn, for the moment, are only seen for the highest quality cutting-edge buildings in the best locations.

In addition, this upward trend on rental levels is only being observed for “trophy” buildings located in the city centre and new business districts, such as 22@, where the scarcity of quality offices to meet the considerable demand is already a reality.

Madrid

During the last quarter of 2014, the take up of office space amounted to over 97,000 sq m, the best figure registered for a fourth quarter since 2009. However, the total take-up rate for 2014 is similar to the previous year’s figure, reaching 328,967 sq m.

By area, the majority of take up in the fourth quarter of the year corresponded to buildings located in the CBD area (which includes Paseo de la Castellana and adjacent streets). By building type, 65% of the total take up in the quarter corresponds to high-quality buildings. The majority of transactions were relocations or consolidations of space while a small part corresponded to newly created companies and increases in letted space.

All transactions of over 10,000 sq m signed in 2014 (66,000 sq m in total) were for assets that will be refurbished and therefore were not immediately available. These pre-lets and acquisitions for subsequent renovation are a clear sign of the scarcity of high quality products, especially in the CBD area, but also in secondary areas.

The vacancy rate of offices was 12.1%. The volume of available office space has remained practically flat. In the CBD area, the vacancy rate remained unchanged at 8.9%. In the secondary and peripheral areas, the vacancy rate increased due to the considerable supply of office space available compared to the demand from tenants. The future supply is very limited, with only three projects in progress, and two of them for own use. In 2015, completion of the head office of BBVA is expected to be completed in Las Tablas (70,000 sq m) and for 2017 the head office of Banco Popular is expected to be delivered in the area of Avenida de América (38,500 sq m).

Regarding rental prices, an increase in the maximum rental prices has been seen in the CBD area compared to the contracts signed in the last quarter, reaching €25.50 sq m, their highest level in the last three years, driven up by the lack of quality products.

For the best CBD locations rent-free incentives have started to decline. In the rest of the market, both the maximum and minimum rental levels remained at low levels, awaiting signs from the market during the first months of 2015.

París

The take up in the Paris region at the end of 2014 reached more than 2,100,000 sq m, an increase of 13% compared to the same period of the previous year.

The solid take up results are mainly due to the good level of large transactions which make up 40% of the total with 62 transactions, amounting to around 825,000 sq m. The segment of small and medium surfaces (less than 1,000 sq m) obtained very good results, while the segment of intermediary surfaces (1,000 sq m to 5,000 sq m) decreased.

Due to the absence of a strong economic recovery, the abundance of supply in the entire Paris market continues. The available office space at the end of 2014 was 4 million sq m, which represents a vacancy rate of 7.6% for the Paris region. However, in the CBD area, supply is scarce and the vacancy rate remained stable at levels around 5.6%.

The rental prices in the CBD area remained at levels similar to recent quarters, reaching maximum levels of €750 sq m/year in some exceptional transactions. The average price for “Grade A” properties in the CBD area was €645 sq m/year.

After three difficult years, the main brokers point to a slightly positive growth in the French market. The obstacles for a strong recovery of the French market are purely domestic, with a weak business climate, high tax pressure and business margins that need strengthening. 2015 will be a year of recovery necessary for the French economy before a consolidation in 2016.

For prime properties in the CBD area, the main consultants forecast a consolidation of the positive trend which commenced at the end of 2014.

Sources: Reports by Jones Lang Lasalle, Cushman & Wakefield, CBRE, BNP Paribas

Organisational structure and operations

The Colonial Group is a leading player in the top-end office rental market in the euro area. It is one of the leading rental operators in the Spanish and European property market. The Group’s property portfolio has been valued at over €5,700m. Colonial focuses on developing and operating buildings in the high-quality office rental market, and has a strong presence in the prime areas of Paris, Madrid and Barcelona.

On 6 May 2014, Colonial culminated a rights offer of 1,263 million euros (for which demand tripled the supply) and arranged a new syndicated loan for 1,040 million euros (Notes 2-g, 13 and 14).

Following this increase, the Company's shareholder structure comprised institutional investors in Spain and abroad, supporting the Company's rental strategy,

Noteworthy among such investors are the Villar Mir Group, Qatar Investment Authority (QIA), Quadrant (Santo Domingo Group) and Amura Capital (Mora Banc Group).

Following the above-mentioned transactions, the new Colonial has a “Loan-to-Value” Holding of around 38% and the Group has sufficient liquidity to enable it to perform new investments, always following the strategy of including in its portfolio select office buildings in Barcelona, Madrid and Paris.

The Colonial Group's strategy involves locking in a position as the leading player in the prime offices segment.

In particular, its strategy comprises:

- Improving cash flow of assets, increasing occupancy portfolios and capturing all the potential of a successful project portfolio.
- Taking advantage of all investment opportunities, both those of organic growth and possible corporate transactions.
- Locking in its position as European leader in its traditional business, its strategic project: the offices market in the prime areas of Paris, Madrid and Barcelona.
- Operating with an adequate capital structure, taking advantage of capital market opportunities.
- Maximising value for its shareholders, offering an attractive return with limited risk.

2. Business performance

Introduction

Revenue totalled 211 million euros at 31 December 2014, and was generated by the Group’s recurring business (property rentals).

The ownership interest in SIIC de Paris contributed revenues of 6 million euros. This figure is the net result of 8 million euros in gains on the sale of the stake and -2 million euros in losses attributed to the Parent prior to that sale.

Operating profit before net gains, depreciation and amortisation, provisions and interest came in at 161 million euros.

According to the independent year-end appraisals by CB Richard Ellis, Jones Lang Lasalle and Atis Real, the Group’s investment property was revalued by 332 million euros in the year. This revaluation, reported both in France and in Spain, reflects a 9.6% increase in value in like-for-like terms on rental assets in operation with respect to December 2013 (10.0% in Spain and 9.5% in France).

The Group capitalised 7 million euros of borrowing costs related to developments in progress.

The net finance cost was 232 million euros.

Results for the year were boosted by recognition of 701 million euros under "Profit from discontinued operations" as a result of the loss of control of the Asentia sub-group (Note 2-f), with the Colonial Group leaving its shareholder structure.

After subtracting profit attributable to non-controlling interests (-136 million euros), the profit after tax attributable to the Group amounted to 492 million euros.

- **Valuation of the property business**

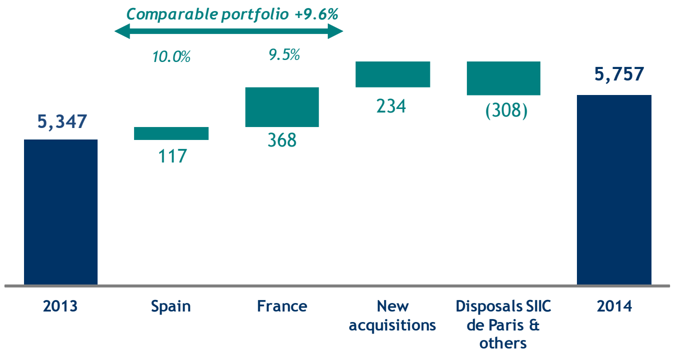
At the end of 2014, the rental business of the Colonial Group was valued at €5,757m (€6,033m including transfer costs), by Jones Lang LaSalle, CB Richard Ellis, and BNP Paribas Real Estate. The appraisal figures are updated half-yearly, following the best market practices. The valuation of the Colonial Group's assets at December 2014 rose by +9.6% in like for like terms compared to December 2013 (+4.5% vs. June 2014).

The asset portfolio in Spain increased by 10% in like-for-like terms in the last 12 months (6.2% in 6 months). The portfolio in Barcelona increased by 6.3% in like-for-like terms (4,0% in 6 months) and the portfolio I Madrid increased by 13,3% (8.1% in 6 months). This increase is mainly due to a yield compression given the growing interest of investors for prime assets in Madrid and Barcelona, as well as the positive effects of repositioning the properties.

The asset value in Paris has increased by 9.5% in like-for-like terms in the last 12 months (3.9% in 6 months). This increase in value is a consequence of the progressive repositioning of the property portfolio with positive impacts on rents and yields, in the context of an investment market with high interest in prime offices in Paris.

The valuation of the property business of the Colonial Group, together with the net impact of the new acquisitions and the disposal of the SIIC de Paris, was valued at €5,757m at the end of 2014.

Variance Analysis - Value



During 2014, the Colonial Group actively managed its portfolio, disposing of mature assets and carrying out new investments and acquisitions, in order to maximize value for the shareholders.

- **Asset Management of the portfolio – Disposal of SIIC de Paris**

On 23 July 2014, Colonial's subsidiary, SFL, completed the sale of its minority stake in SIIC de Paris, at a price of €23.88/share (€304m) after deducting the dividend received in July 2014. The price obtained was in line with the NAV at December 2013 (including the dividends received in May and July 2014).

This transaction represented the disposal of an asset at maximum price levels, after capturing its full value creation potential. The sale price resulted in a premium of 29% above the acquisition price (€18.48/share) and, together with the dividends received, offered an attractive return for the Colonial Group.

- **Prime Factory investments – Optimization of the positioning of Colonial's portfolio**

During 2014, €135m were invested in refurbishments and projects of the Colonial Group to optimize the positioning of the property portfolio.

These investments have attracted and will continue to attract top tier rental demand, optimizing the cash flow profile and valuation of the assets.

In Spain, it is worth highlighting the properties of Travessera de Gràcia/Amigó, Diagonal 409, Paseo los Tilos and Alfonso XII. The main characteristics are shown as follows:

Travessera/Amigó	Diagonal, 409	Paseo de los Tilos	Alfonso XII
			
✓ Office complex of 8,095 sq m	✓ Office complex of 4,531 sq m	✓ Office complex of 5,143 sq m	✓ Office building 13,135 sqm
✓ Leed Gold Certification in Barcelona CBD	✓ Leed Gold Certification in Barcelona CBD	✓ Leed Silver Certification in Barcelona CBD	✓ Breeam Certification in Madrid CBD
✓ Delivered on 9/2014 ✓ Commercialization underway	✓ Delivered in 2Q 2014 ✓ 64% occupied at reporting date	✓ 100% pre-let before the start of the project	✓ Delivered in 1Q 2014
✓ 365 sq m let to a fund manager	✓ Top tier tenants with prime retail on ground floor	✓ 10-year contract with top tier tenant -Abertis-	✓ 86% occupied at reporting date

In France, the 90 Champs Elysees, IN/OUT & Cloud projects are highlighted.

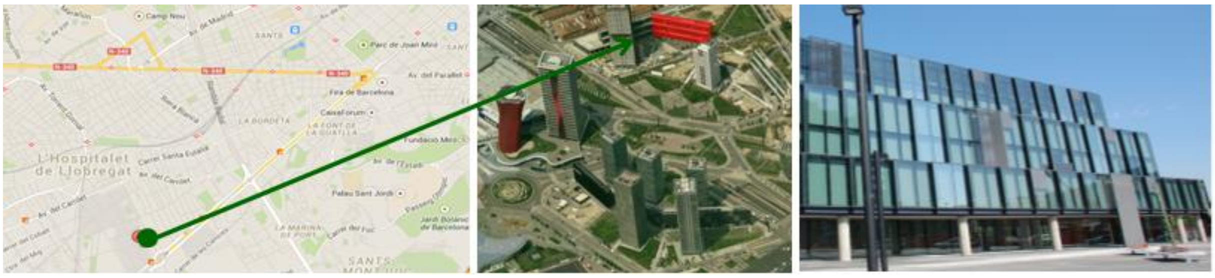
90 Champs Elysées	In & Out	#Cloud
		
✓ Office complex of 9,700 sq m	✓ Office complex of 37,700 sq m, an outstanding urban complex	✓ Office complex of 33,200 sq m
✓ Breeam Certification in Paris CBD	✓ HQE, Breeam & Leed Platinum Certifications in París	✓ Breeam & HQE Certification in Paris CBD
✓ To be released in 2015	✓ Released in 4Q 2013	✓ To be released in 2H 2015
✓ Pre-let in February 2014 to top tier consulting firm	✓ Asset in marketing and commercialization process	✓ A unique three-building complex, situated in CBD Opera

- **New acquisitions**

During the second half of 2014, Colonial carried out two acquisitions for a total volume of €234m (price excluding acquisition costs).

In Barcelona, Colonial has acquired an office building located in Plaza Europa for €10.4m. This property is located in a business district in expansion with excellent transportation links to the city centre and the airport. The building has a surface area above ground of almost 5,000 sq m of office space, and 68 parking spaces. It is currently 100% occupied by Gallina Blanca with a 10-year contract, housing the headquarters of this Spanish multinational company in the food industry.

This acquisition has enabled Colonial to strengthen its portfolio with a top tier client, in a business district with significant growth potential.



In Paris, Colonial has acquired, through its subsidiary Société Foncière Lyonnaise (SFL), an office building of more than 23,000 sq m above ground, located in Rue Condorcet in district 9 in Paris, for €224m. This asset is currently 100% rented by the company GrDF (Gaz Réseau Distribution France), a tenant with a long term contract maturing in 2024. The property has the best quality facilities, thanks to a recent refurbishment.

This investment permits the Colonial Group to position itself, through a prime asset with an AAA client, in district 9 in the centre of Paris, an area with significant growth potential.

Rental Business

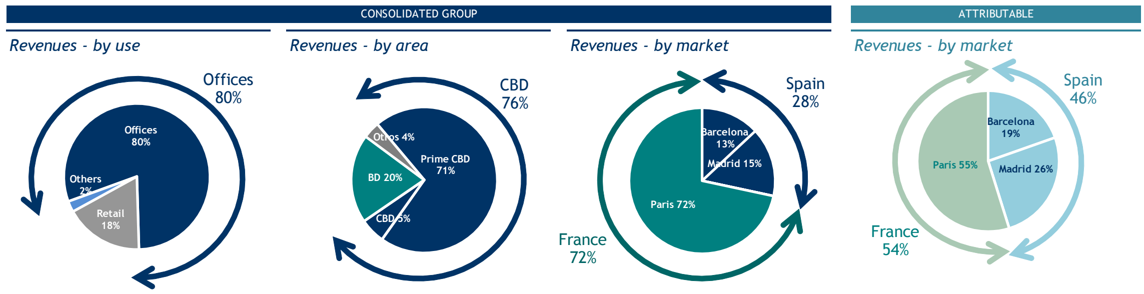
Following are detailed the most relevant aspects of the rental business:

The rental revenues reached €211m, 1% lower than the rents of the previous year. This decrease is mainly due to assets divested during 2013, in particular Torres Agora in Madrid and the Mandarin Hotel in Paris. In like-for-like terms, adjusting for investments, disposals and variations in the project and refurbishment portfolio and other exceptionals, the rental revenues of the Group increased by 3.2% like-for-like. In Paris, the rental revenues increased by 4.3% like-for-like. In Spain, the rental revenues rose by 0.5% like-for-like, mainly due to the Madrid portfolio, which went up by 5.4%.

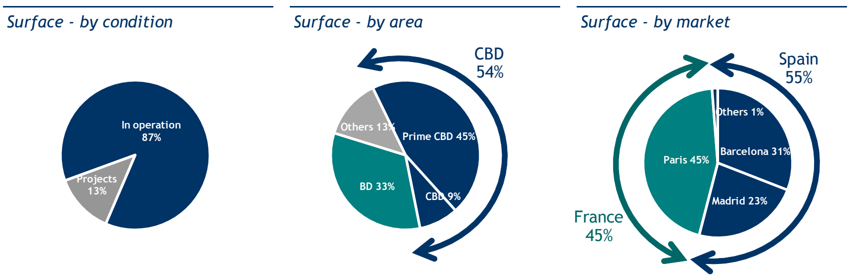
The like-for-like increase in rental revenues mainly corresponds to the new contracts signed in 2013 and 2014, for the Martínez Villergas, Recoletos, Edouard VII, Washington Plaza and Hanovre assets.

Rental EBITDA reached €191m, a 4% increase in like-for-like terms, with an EBITDA margin of 90%.

The majority of the Group's revenues (80%) are from office buildings. Likewise, the Group maintains its high exposure to CBD markets (76%). In consolidated terms, 72% of the rental revenues (€152m) came from the subsidiary in Paris and 28% were generated by buildings in Spain. In attributable terms, 54% of the rents were generated in France and the rest were in Spain.



At the end of 2014, the Colonial Group's portfolio totalled 1,026,598 sq m (725,341 sq m above ground), focused mainly on office assets. At 31 December 2014, 87% of the portfolio was in operation and 13% corresponded to an attractive portfolio of projects and refurbishments.

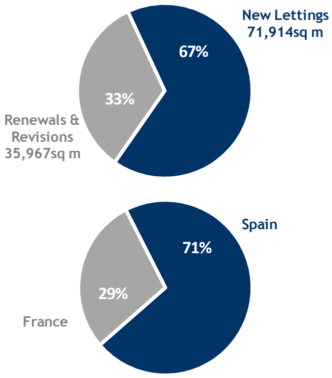


Throughout 2014, the Group signed a total of 107,881 sq m of contracts (71% in Spain and 29% in France).

Out of the total commercial effort, 67% (71,914 sq m) related to surfaces of new contracts. This figure almost tripled the volume of new contracts signed throughout the whole of 2013 (28,041 sq m). Contract renewals were carried out for 35,967 sq m. The new rental prices relating to these contracts resulted in a decrease of 8% with respect to previous rents. However, the prices signed on the new contracts in the portfolio, both in Spain and in France, have an average in line with the market prices estimated by independent appraisers as at December 2014.

Letting Performance

December cumulative - sq m	2014	% New rents vs. previous	Average maturity
Renewals & revisions - Barcelona	12,554	*(17%)*	6
Renewals & revisions - Madrid	17,020	*(9%)*	2
Renewals & revisions - Paris	6,393	*(3%)*	6
Total renewals & revisions	**35,967**	***(8%)***	**4**
New lettings Barcelona	20,110		6
New lettings Madrid	26,988		4
New lettings Paris	24,816		5
New lettings	**71,914**	**n/a**	**5**
Total commercial effort	**107,881**	**n/a**	**5**

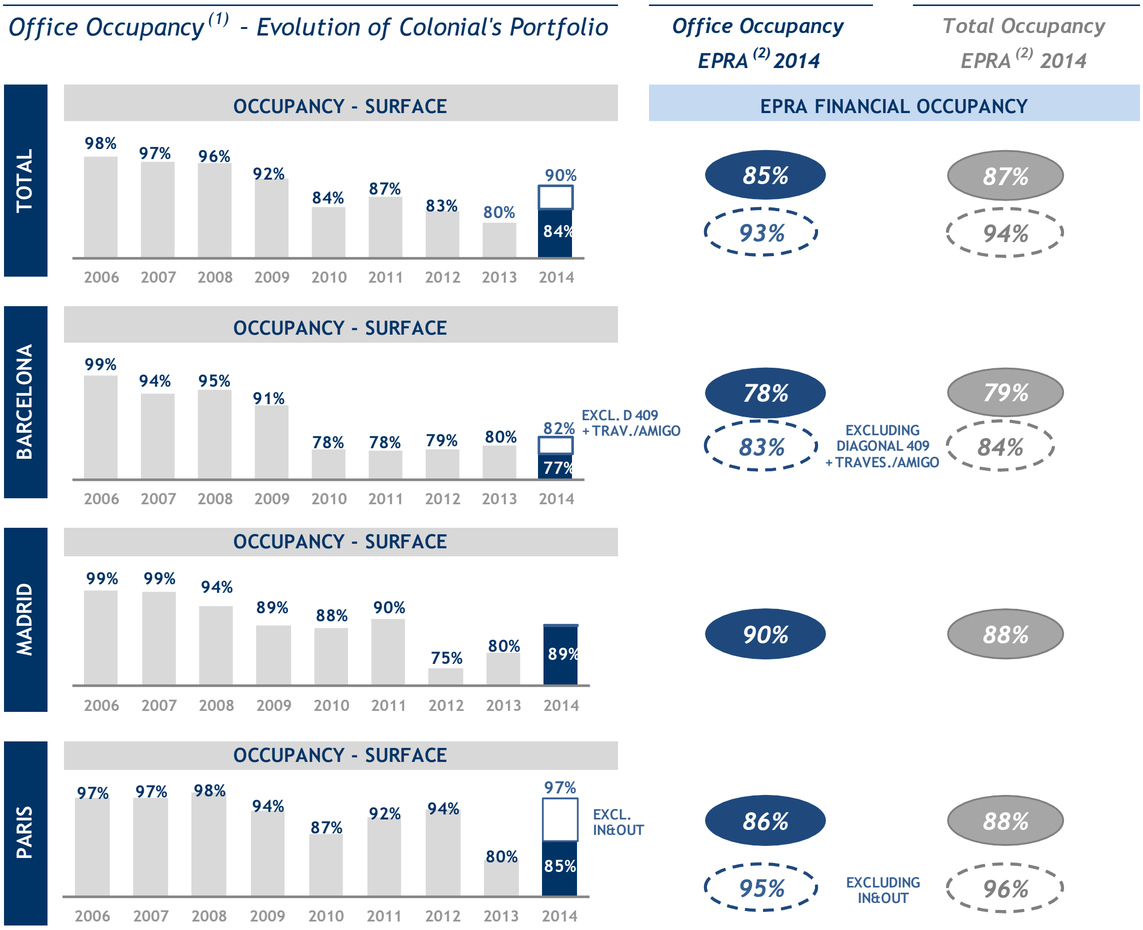


As a result of the commercial effort, the EPRA financial occupancy for the office portfolio reached 85% at the end of 2014, a higher figure than that at the end of 2013.

The office portfolios in Madrid and Barcelona reached an EPRA financial occupancy of 90% and 78%, respectively.

In **Madrid**, the office occupancy increased mainly due to the new contracts signed in various assets, as is the case with Martínez Villergas, Alfonso XII, Miguel Ángel, López de Hoyos and Recoletos (asset at 100% occupancy). In Barcelona, the office occupancy decreased mainly due to the entry into operation of the Travessera de Gràcia/Amigó building, an energy-efficient office complex located in the heart of the prime area, with the highest quality finishings and LEED Gold certification, as well as the Diagonal 409 building with LEED Silver certification. If we exclude these properties, EPRA financial occupancy of the Barcelona office portfolio reaches 83%. It should be mentioned that at the end of the year, the commercialisation of these new assets was progressing satisfactorily, given the positive response to the new deliveries in the rental market, in particular the Diagonal 409 building, which is at 64% occupancy as at the date of this report.

In **Paris**, the office portfolio reached an EPRA financial occupancy of 86%, a higher figure than that at the end of 2013. This increase was mainly due to new rentals for the Edouard VII and Washington Plaza properties. The office portfolio occupancy in Paris is affected by the entry into operation of the IN/OUT office complex, currently in an advanced commercialisation phase. Excluding this effect, EPRA financial occupancy of the Paris office portfolio is at 95%.



(1) *Occupied surfaces / Surfaces in operation*

(2) ***EPRA Occupancy:*** *Fiancial occupancies according to calculation recomended by EPRA (Occupied surfaces multiplied by market rent / surfaces in operation at market rent).*

Currently, the company has a project portfolio of more than 55,000 sq m above ground, entering into operation between 2015 and 2018. The Colonial Group's project portfolio pipeline is the following:

Projects	Entry into operation	% Group	Market	Use	Surface above ground (sq m) (1)
Parc Central 22@ A.1.6 - A.1.7 - A.1.2	>2016	100%	Barcelona	Offices	14,737
Spain					**14,737**
90, av. des Champs Elysées	1H 2015	100%	Paris	Offices	7,500
#Cloud (rue Richelieu)	2H 2015	100%	Paris	Offices	33,200
France					**40,700**
Total					**55,437**
Yield on cost[2]					**5.8%**

(1) Surface area of completed project

(2) Yield on cost: market rent 100% rented/market value at start of project net of impairment in value + capex

In Spain, Colonial has a plot of land located in the heart of the 22@ business district, which will allow for the development of an office complex of nearly 15,000 sq m, opposite Avenida Diagonal, one of the up-and-coming areas in the city of Barcelona. The project is not expected to commence in the short-term.

In France, the #CLOUD project (rue Richelieu) is progressing satisfactorily. A complete refurbishment is being carried out on this office complex, which involves creating 33,200 sq m of unique offices in the centre of Paris for top tier clients. This complex holds the Breeam and HQE energy certification and will enter into operation in the second half of 2015. Currently the start of the commercialisation process is generating a lot of interest.

In addition, it is worth highlighting the refurbishment project of more than 7,000 sq m above ground in the 90 Champs Elysées building, an office complex located on the top of the Champs-Elysées shopping centre, which is expected to come into operation in 2015. As at the date of this report, this building is already prelet, highlighting the signing of more than 6,000 sq m, 5,000 sq m of which were signed with a top tier consulting firm.

In addition to the above-mentioned project portfolio, the Colonial Group is carrying out substantial refurbishment projects on certain properties with the aim of optimizing the positioning of these assets in the market. It is important to mention the substantial refurbishments on the Louvre des Antiquaires, Washington Plaza and Cézanne St. Honoré buildings, among others.

3. Liquidity and capital resources

See "Capital management: policies and objectives" under Note 14 to the consolidated financial statements for the year ended 31 December 2014.

The average payment period of the Group's Spanish companies to its suppliers was around 53 days in 2014. As regards payments made after the legally-established period, note that these are primarily payments relating to works contracted and property refurbishment, which are paid within the payment terms stipulated in the contracts signed with the various contractors. In this regard, at the date on which these financial statements were authorised for issue, the Parent notified all suppliers with contracts in force, and whose payment conditions included in the contract were not in line with the maximum payment period of 60 days, that the contract conditions would change in order to bring them into line with Law 11/2013.

4. Risk management policies and objectives

Risk management

Colonial is exposed to a variety of risk factors arising from the countries in which it operates and from the very nature of its activities. Colonial's Board of Directors is responsible for determining the risk management and control policy, identifying the Group's main risks, and implementing and supervising the Internal Control and Risk Management System (hereinafter, ICRMS) that Colonial has developed and which establishes the bases for the efficient and effective management of risks throughout the organisation. Colonial's ICRMS groups risks into the following five areas, which make up the Company's corporate risk map: strategic, corporate, operational, compliance and reporting risks.

Section E of the Annual Corporate Governance Report details the main risks that arose during the year and the related triggering circumstances. The risks linked to the Group's business activities, according to the risk areas defined, are detailed as follows.

Strategic risks:

The risks related to the sector and the environment in which Colonial carries on its business, the markets in which it operates and the strategies adopted in order to carry out its activities are analysed.

- Country risk: Special attention is paid to economic, legal and social risks related to the countries in which the Group carries out its activities (Spain and France). The impact of the economic crisis has especially affected the real estate sector. Colonial's activities are concentrated in the cities of Barcelona, Madrid and Paris. The maturity of the real estate sector in France has enabled the company to withstand the readjustments experienced in the Spanish market in recent years. This balance, along with the Spanish economy's growth forecast for 2015, will enable the Group to have a more optimistic outlook over the coming years in terms of increased return from its investments and sustainable growth.

- Market risks: The following market risks are noteworthy of mention:

  - ✓ Competitive environment: The real estate sector is a highly competitive industry. With the reopening of capital markets, triggered by the recovered confidence of international investment funds in the real estate sector as a long-term investment, especially in connection with sovereign debt funds, with the creation of new listed property investment companies (SOCIMIs) and with the rise in investments made in property assets, the level of competition in the rental property sector has increased. The high quality of the Colonial Group's assets, the value of these assets and its strategy of focusing mainly on its office rental activities in central business district (CBD) areas have positioned the Group as a key benchmark in the real estate sector in Europe.

  - ✓ Concentration of customers: A significant portion of the Colonial Group's total rental income is currently generated by a small number of large customers, some of which are public sector customers. The office rental business depends on the solvency and liquidity of tenants. Colonial's strategy of offering high-quality properties, located mainly in CBD areas, provides the Company with a portfolio of customers that are leaders in their respective sectors, solvent and free of liquidity problems. The default ratio among Colonial's customers is very low.

- Risks related to the value of its assets: The Colonial Group's strategy in the rental property sector is unique in that the company's high-quality property assets are located mainly in CBD areas of the cities in which it carries out its activities. The drop in property values in recent years has had a significant impact on sector companies. The Group appraises its property assets every six months. These appraisals are carried out for each asset by independent experts, using objective market criteria. Colonial allocates a significant portion of its resources to investing in and maintaining its property assets in order to enhance their value and position on the market, and to optimise the income and returns they generate.

Corporate risks:

The risks relating to the organisational structure, corporate culture, corporate policies and key decision-making processes of the governing bodies are analysed.

- Reputational risks and risks concerning social commitment: Colonial's Board of Directors is responsible for determining the corporate social responsibility policy. Colonial's aim is to have a better understanding and constantly improve the expectations of its stakeholders (shareholders and investors, customers and suppliers, employees and the local communities in which it operates). Management of these expectations forms part of the Group's objectives in terms of sustainability and creating value for these stakeholders. The Group therefore measures its degree of sustainability in accordance with the standard principles of reference used by most European listed companies. Colonial has a Code of Ethics, an Internal Code of Conduct and, in general, the appropriate good governance mechanisms to ensure committed and responsible behaviour in all its areas of activity. In addition, the Group's properties are noted for their high level of environmental quality and energy efficiency. The Company's sustainable management in all its areas provides great value to the Group.

- Medium- and long-term business plans: Failure to have a long-term business plan increases uncertainty regarding a company's viability and future. Colonial has a medium- and long-term business plan which ensures the Group's viability and aims to anticipate the Group's financial needs and avoid any restrictions in its operating and investment capacity while pursuing the aforementioned sustainability and growth targets. The business plan is constantly monitored by the governing bodies and is continuously adjusted to take into account the economic, financial and social situation of the real estate market. Monitoring and control of compliance with this plan, as well as the real estate investment and management strategies adopted by the governing bodies, ensure value for shareholders.

- Financial risks: The Group efficiently manages its financial risks with the aim of maintaining its levels of liquidity, minimising borrowing costs, reducing volatility due to changes in capital and ensuring compliance with its business plans:

  - ✓ Risk of exposure to interest rate fluctuations: All loans entered into by the Colonial Group accrue interest at floating rates tied to Euribor, except for the fixed-rate bonds issued by SFL. The Group’s risk management policy is designed to reduce, limit and control the impact of interest rate fluctuations on profit and cash flows and to keep overall borrowing costs at reasonable levels. The Group arranges financial instruments to cover interest rate fluctuations.

  - ✓ Risks relating to financing and debt: Companies operating in the real estate sector need to make heavy upfront investments to ensure development of their projects and growth of their businesses by means of the purchase of rental properties and/or land. The Group’s financial structure warrants diversification of its sources of financing by entity, product and maturity. Following the financial debt restructuring and recapitalisation process the Company carried out in the first half of 2014, the Colonial Group's net borrowing, measured using the loan to value ratio, dropped significantly, thereby providing the Group with sufficient financing to carry out its projects, take on new projects and ensure sufficient investment capacity to bear significant growth costs over the coming years.

  - ✓ Liquidity risk: As mentioned in the paragraph above, the Group has the necessary sources of financing to undertake its current projects as well as those laid out in the Group's business plan. Following the refinancing and recapitalisation process, Colonial also significantly increased its ability to attract capital.

Operational risks:

Operational risks refer to the risks arising from losses due to failures in or incorrect management of operations.

- Rental property management risks: Sustainable management of daily operations increasingly forms a key part of an owner's obligations, and sustainability clauses in lease agreements are becoming more and more popular. Therefore, rental property management has a direct effect on occupancy levels. The Colonial Group allocates a significant portion of its investments to acquiring, constructing, renovating and maintaining the high quality of its property assets, which stand out as a result of their energy efficiency. Proper management of rental properties, customers and the channels set up for communicating with these customers has caused lease renewal levels to improve. This property management strategy is incorporated into the Group's organisation and business plan.

- Risk of loss or damage to property assets: The Colonial Group's properties are exposed to generic risks of damage as a result of fires, flooding or other events, regardless of whether or not they are attributable to natural causes. The Group may also be held liable vis-à-vis third parties for accidents taking place in the properties it owns, and for any damage caused in the properties of third parties. Colonial has taken out insurance cover for a total of 660 million euros corresponding to the total cost of rebuilding each property it owns.

Compliance risks:

Potential regulatory risks in relation to compliance with obligations arising from applicable legislation, agreements with third parties and obligations self-imposed by the Group, mainly through its Code of Ethics and Code of Conduct, are analysed.

- Risks arising from failure to comply with contractual obligations: In carrying out its activities, Colonial is exposed to risks inherent in failing to comply with any of its contractual obligations with its customers, banks, suppliers, employees, etc. The risk management process allows any risks of contractual breach that may give rise to legal proceedings against the Group to be identified and assessed, thereby allowing the Group to take the appropriate corrective measures to mitigate these risks or, where applicable, any possible impact. The Company has also taken out insurance to cover any legal costs or possible damage against directors and senior management.

The Company has a Regulatory Compliance Unit whose main responsibility is to ensure that any regulations and laws affecting Colonial are complied with, guaranteeing adequate identification, interpretation, compliance and supervision of these regulations and laws, and to assign the necessary roles and responsibilities among the various departments, business units and companies for such purpose. Colonial also has a legal department that is responsible for providing legal coverage for the Group's management in accordance with applicable general and sector-specific regulations.

Reporting risks:

In order to cover any reporting risks deriving from errors or a failure to comply with requirements concerning the public information to be issued by the Group, and to ensure the reliability of this public information for shareholders and investors, Colonial has developed an Internal Control over Financial Reporting (ICFR) Organisational and Monitoring Model, which has been approved by the Group's governing bodies. In this regard, the Group has an Internal Audit area that is responsible for performing the tests necessary to verify compliance with ICFR policies, manuals and procedures, validating the effectiveness of the controls implemented to mitigate the risks related to these processes.

5. Events after the reporting period

No significant events have taken place since the end of 2014.

6. Future outlook

The outlook for the Madrid, Barcelona and Paris office markets is as follows:

Barcelona and Madrid

After several years of downturn, the rental markets in Barcelona and Madrid have begun to show signs of recovery.

In particular, prime rents have begun to increase, although only in CBD areas or new business areas. Peripheral markets continue to post very weak fundamentals.

Tenants tend to prefer central areas and, for the first time since the onset of the economic crisis, some tenants are even expanding their rented space.

With regard to supply, vacancy rates are above 10%; however, there is a clear scarcity of prime rentals in central areas.

As positive macroeconomic trends are consolidated, the demand for rentals will also take firm hold and, according to leading consultants, rents should begin to climb, especially for prime properties.

The investment market has clearly reached a turning point with the significant increase in volume of transactions and a substantial compression in terms of return required. The changes in the investment market will clearly be influenced by the interest rate policy of the European Central Bank.

Paris

The office market in Paris has been affected by the weak French economy. However, 2014 saw clear signs of an improvement in demand, especially in CBD areas, where there is an apparent scarcity of prime rentals.

Consequently, leading consultants expect this positive trend that began at the end of 2014 to be consolidated for prime property rentals in CBD areas.

Strategy for the future

The investment market has posted record-high trading volumes, making 2014 the best year since 2007. In the current climate of low interest rates, the expectation is that investors will continue to be interested in the Paris market, as it is the most important office market in the eurozone.

In this market context, Colonial is implementing a selective investment policy in order to maximise value for its shareholders.

In particular, it has focused its efforts on acquiring top-quality properties in high-potential market areas, including assets with the potential to become prime rentals through repositioning.

7. Research and development activities

As a result of the nature of the Group, its business activities and structure, Inmobiliaria Colonial S.A. does not usually carry out research and development activities.

8. Treasury shares

In 2014 Inmobiliaria Colonial S.A. divested all of its 1,710,000 treasury shares.

9. Other relevant information

There is no other relevant information.

10. Annual Corporate Governance Report

Pursuant to Article 538 of the Spanish Limited Liability Companies Law, it is hereby noted that the Annual Corporate Governance Report for 2014 is included in this Management Report in a separate section.