Inmobiliaria Colonial, S.A. and Subsidiaries

Consolidated Financial Statements for the year ended 31 December 2013 and Consolidated Directors' Report, together with Auditors' Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 28). 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 28). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders
of Inmobiliaria Colonial, S.A.:

1. We have audited the 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 2013 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. As indicated in Note 2-a to the accompanying consolidated financial statements, the Parent's directors are responsible for the preparation of the Group's consolidated financial statements 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. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with the audit regulations in force in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made comply with the applicable regulatory financial reporting framework.

2. In our opinion, the accompanying consolidated financial statements for 2013 present fairly, in all material respects, the consolidated equity and consolidated financial position of Inmobiliaria Colonial, S.A. and Subsidiaries at 31 December 2013, and the consolidated results of their operations and their consolidated cash flows for the year then ended, in conformity 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.

3. Without qualifying our audit opinion, we draw attention to Note 2.g to the accompanying consolidated financial statements, which indicates that the Colonial Group has a working capital deficiency of EUR 2,043 million, without taking into account the assets and liabilities classified as held for sale, as a result, basically, of the syndicated loan granted to the Parent that matures in the short term.

   In this context, on 21 January 2014, within the framework of the Parent's debt refinancing process, the Extraordinary General Meeting approved, inter alia, two capital increases through cash contributions and the conversion of debt into capital for a maximum amount of EUR 1,000 million. The aforementioned capital increases are subject to the prerequisite of restructuring the Parent's financial debt, and the deadline for the Board of Directors to set the date and terms of the capital increases is 21 May 2014.

   At the date of this report the process to execute the resolutions approved by the General Meeting had not yet been completed. The ability of the Colonial Group to settle its liabilities and, consequently, to recover its assets and be able to continue with its operations will depend on the success of this process. This circumstance gives rise to significant uncertainty regarding the application of the going-concern principle of accounting.

4. The accompanying consolidated directors' report for 2013 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 2013. 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

Rafael Abella

28 February 2014

Inmobiliaria Colonial, S.A. and subsidiaries

Consolidated Financial Statements
for the year ended 31 December
2013, 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 (see Notes 2 and 28). In the event of a discrepancy, the Spanish-language version prevails.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 28).
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 2013

(thousands of euros)

ASSETS	Note	31 December 2013	31 December 2012	EQUITY AND LIABILITIES	Note	31 December 2013	31 December 2012
Goodwill	7	120.000	120.000	Share capital		225.919	225.918
Intangible assets	-	2.035	1.498	Share premium		109	102
Property, plant and equipment	8	32.952	34.269	Reserves Parent Company		1.083.485	1.083.591
Investment property	9	4.916.066	4.782.137	Losses from previous years Parent Company		(837.243)	-
Non-current financial assets	10	309.750	294.914	Consolidated Reserves		(193.463)	48.822
- Investments in associates		*302.341*	*286.560*	Valuation adjustments recognised in equity - financial instruments		(18.358)	(1.008)
- Other financial assets		*7.409*	*8.354*	Other equity instruments		2.488	3.955
Deferred tax assets	19	142.592	216.564	Treasury shares		(59.945)	(60.047)
Other non-current assets	11	30.709	30.663	Profit/(loss) for the period		(546.928)	(1.129.005)
NON-CURRENT ASSETS		**5.554.104**	**5.480.045**	**Equity attributable to owners of the Parent Company**		**(343.936)**	**172.328**
				Non-controlling interests		**1.272.765**	**1.219.637**
				EQUITY	14	**928.829**	**1.391.965**
				Bank borrowings and other financial liabilities	15 & 16	627.895	2.587.495
				Bonds and similar issued securities	15	995.587	993.574
				Deferred tax liabilities	19	184.776	237.164
				Provisions	18	767	2.038
				Other non-current liabilities	17	23.643	22.846
				NON-CURRENT LIABILITIES		**1.832.668**	**3.843.117**
				Bank borrowings and other financial liabilities	15 & 16	2.059.521	208.048
Trade and other receivables	12	47.476	48.607	Bonds and similar issued securities	15	13.619	13.619
Financial assets	13	951	13.168	Trade payables	17	101.220	106.536
Tax receivables	19	20.995	18.817	Taxes payable	19	25.507	34.068
Cash and cash equivalents	15	53.557	69.017	Provisions	18	20.609	316
Non-current assets held for sale	25	842.748	1.623.806	Liabilities relating to assets held for sale	25	1.537.858	1.655.791
CURRENT ASSETS		**965.727**	**1.773.415**	**CURRENT LIABILITIES**		**3.758.334**	**2.018.378**
TOTAL ASSETS		**6.519.831**	**7.253.460**	**TOTAL EQUITY AND LIABILITIES**		**6.519.831**	**7.253.460**

Notes 1 to 28 and Appendices I and II of the accompanying notes to the consolidated financial statements are an integral part of the consolidated statement of financial position at 31 December 2013

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 28). In the event of a discrepancy, the Spanish-language version prevails.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

(thousands of euros)

Consolidated statement of comprehensive income	Note	2013	2012
Revenue	21	213.111	225.293
Other income	21	4.095	5.039
Employee benefits expense	21	(18.789)	(21.137)
Other operating expenses	21	(39.997)	(34.630)
Depreciation and amortisation expense		(1.490)	(1.331)
Net change in provisions		(17.682)	(26.088)
Net gain/(loss) on sales of assets	21	(9.056)	(3.766)
Operating profit/(loss)		**130.192**	**143.380**
Change in fair value of investment property	21	37.430	19.093
Impairment charges and net gains/(losses) on assets	21	(649)	(59.923)
Finance income	21	22.861	26.695
Share of profit/(loss) of associates	10 & 21	20.969	20.967
Finance cost	21	(235.723)	(176.055)
Impairment of financial assets	13 & 21	(107)	(20.621)
Profit/(loss) before tax		**(25.027)**	**(46.464)**
Income tax receipt/(expense)	19	(34.817)	(528.778)
Consolidated net profit/(loss) from continuing operations		**(59.844)**	**(575.242)**
Profit/(Loss) from discontinued operations	25	(405.052)	(419.170)
Consolidated net profit/(loss)		**(464.896)**	**(994.412)**
Profit/(loss) for the period attributable to equity holders of the Parent Company		(546.928)	(1.129.005)
Profit/(loss) attributable to non-controlling interests	14	82.032	134.593
Basic earnings per share (€)	5	(2,439)	(5,019)
Diluted earnings per share (€)	5	(2,439)	(5,019)
Other comprehensive income			
Consolidated net profit/(loss)		**(464.896)**	**(994.412)**
Other components of comprehensive income recognised directly in equity		**37.883**	**(22.722)**
Net gain/(loss) on hedging instruments	16	44.884	(9.837)
Net gain/(loss) on available-for-sale financial assets	13	-	(12.595)
Other gains/(losses)		-	4.160
Income tax relating to components of other comprehensive income		(7.001)	(4.450)
Transfer to comprehensive income		**6.844**	**30.148**
Net gain/(loss) on hedging instruments	16	6.844	9.644
Net gain/(loss) on available-for-sale financial assets	13		20.504
Consolidated comprehensive income/(loss)		**(420.169)**	**(986.986)**
Total comprehensive income/(loss) for the period attributable to owners of the Parent Company		(515.079)	(1.121.697)
Total comprehensive income/(loss) attributable to non-controlling interests		94.910	134.711
Basic comprehensive income/(loss) per share (€)		(2,297)	(4,986)
Diluted comprehensive income/(loss) per share (€)		(2,297)	(4,986)

Notes 1 to 28 and Appendices I and II of the accompanying notes to the consolidated financial statements are an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2013

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 28
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 2013

(thousands of euros)

	Note	Share capital	Share premium	Parent Company reserves	Losses from previous years Parent Company	Reserves in consolidated companies	Valuation adjustments recognised in equity - financial instruments	Gains/(losses) on available-for-sale financial assets	Treasury shares	Other equity instruments	Profit/(loss)	Non-controlling interests	Total
Balance at 31 December 2011	**14**	**225.918**	**93**	**1.065.456**	**-**	**49.421**	**2.467**	**(7.909)**	**(59.543)**	**2.445**	**14.914**	**1.037.761**	**2.331.023**
Total recognised income and expense for the period		-	-	-	-	2.874	(3.475)	7.909	-	-	(1.129.005)	134.711	**(986.986)**
Rights issue		-	9	(42)	-	-	-	-	-	(9)	-	-	**(42)**
Allocation of 2011 profit		-	-	18.287	-	(3.373)	-	-	-	-	(14.914)	(47.645)	**(47.645)**
Issuance of other equity instruments		-	-	(110)	-	-	-	-	-	110	-	-	**-**
Treasury share portfolio		-	-	-	-	(100)	-	-	(504)	-	-	775	**171**
Share-based payment transactions		-	-	-	-	-	-	-	-	1.409	-	-	**1.409**
Changes in scope of consolidation and other changes		-	-	-	-	-	-	-	-	-	-	94.035	**94.035**
Balance at 31 December 2012	**14**	**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)**
Rights issue		1	7	(42)	-	-	-	-	-	(8)	-	-	**(42)**
Allocation of 2012 profit		-	-	-	(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	**14**	**225.919**	**109**	**1.083.485**	**(837.243)**	**(193.463)**	**(18.358)**	**-**	**(59.945)**	**2.488**	**(546.928)**	**1.272.765**	**928.829**

Notes 1 to 28 and Appendices I and II of the accompanying notes to the consolidated financial statements are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2013

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 28). 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 2013

(thousands of euros)	Note	2013	2012
CASH FLOWS FROM/(USED IN) CONTINUING OPERATIONS			
1. CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Operating profit/(loss)		130.192	143.380
Adjustments to profit/(loss)			
Depreciation and amortisation (+)		1.490	1.331
Net changes in provisions (+/-)	21	17.682	26.088
Other	21	(1.281)	3.316
Gains/(losses) on disposal of investment properties (+/-)	21	9.056	3.766
Adjusted profit/(loss)		157.139	177.881
Taxes paid (-)		(21.040)	(16.061)
Dividends received from associates (+)	10	9.066	3.065
Increase/(decrease) in current assets and liabilities			
Increase/(decrease) in receivables (+/-)		3.110	(20.126)
Increase/(decrease) in payables (+/-)		(9.038)	43.511
Increase/(decrease) other assets and liabilities (+/-)		745	-
Net cash generated by/(used in) operating activities		**139.982**	**188.270**
2. CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Investments in (-)			
Intangible assets		(1.079)	(766)
Property, plant and equipment	8	(151)	(27)
Investment property	9	(146.486)	(137.540)
Financial assets		-	(663)
		(147.716)	(138.996)
Disposals of (-)			
Property, plant and equipment	8	-	27
Investment property	10	17.514	19.064
Equity investments, financial assets and other	9	381.105	-
		398.619	19.091
Net cash generated by/(used in) investing activities		**250.903**	**(119.905)**
3. CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Dividends paid (-)	14	(49.084)	(47.645)
Repayment of borrowings (-)		(250.078)	(373.121)
Interest paid (-)		(107.449)	(129.845)
Cancellation of financial derivative instruments		(17.620)	(47.469)
Trading in treasury shares (+/-)		55	171
		(424.176)	(597.909)
Proceeds from bank funding (+)		85.604	523.841
Expenses associated with rights issues		-	(42)
Other proceeds/(payments) for current financial assets and other (+/-)		(15.245)	(95)
		70.359	523.704
Net cash generated by/(used in) financing activities		**(353.817)**	**(74.205)**
4. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS			
Net cash flows for the period generated by/(used in) continuing activities		**37.068**	**(5.840)**
Cash and cash equivalents at the beginning of the year		**69.017**	**65.926**
Cash transferred to discontinued activities		**(52.528)**	**-**
Cash and cash equivalents - changes in scope		**-**	8.931
Cash and cash equivalents at the end of the year		**53.557**	**69.017**
CASH FLOWS FROM DISCONTINUED OPERATIONS			
1. Net cash generated by/(used in) continuing activities		52.528	-
1. Net cash generated by/(used in) operating activities		3.237	(9.751)
3. Net cash generated by/(used in) investing activities		(8.043)	(259)
4. Net cash generated by/(used in) financing activities		(58.791)	(8.199)
CASH FLOWS USED IN DISCONTINUED OPERATIONS	25	**(11.069)**	**(18.209)**

Notes 1 to 28 and Appendices I and II of the accompanying notes to the consolidated financial statements form an integral part of the consolidated statement of cash flows for the year ended 31 December 2013

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 28). 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 2013

1. Colonial Group business activity

Group Activity

Inmobiliaria Colonial, S.A. (formerly, Grupo Inmocaral, S.A., incorporated as Grupo Fosforera, S.A., and hereinafter the "Parent Company", the "Parent" or the "Company") is a limited company incorporated in Spain (incorporated for an indefinite period on 8 November 1956).

On 19 April 2007, the Board of Directors of the Parent agreed to rename the Company Inmobiliaria Colonial, S.A., additionally changing its registered office to Avenida Diagonal, 532, Barcelona.

Inmobiliaria Colonial, S.A. and subsidiaries (the "Group" or the "Colonial Group") are engaged in the leasing and sale of personal and real property, as well as the development and construction of all types of buildings, the urban development and division of land into plots for use, the tendering and contracting for all kinds of construction work, studies and projects and the development and management of shopping centres.

The Group leases office space in Spain (mainly in Barcelona and Madrid) and in Paris through the group headed up by Société Foncière Lyonnaise S.A. ("SFL subgroup" or "SFL" for the subsidiary). In addition, the Group develops land and housing in Spain through its subsidiaries Asentia Project, S.L.U. and Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U., while the shopping centre and business park development and management business is carried out in Spain, Bulgaria and Romania through the group headed up by Riofisa, S.A.U. ("Riofisa subgroup" or "Riofisa" for the subsidiary).

In 2010, the spin-off and contribution to the subsidiary Asentia Project, S.L.U. of the land and development business, including shares in the subsidiary Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U., to which a project in Seville was transferred, was carried out. In addition, the non-monetary contribution of the Llacuna property development in Barcelona to the subsidiary Abix Service, S.L.U., was carried out. These transactions took place within the scope of the agreements reached by virtue of the "Framework Refinancing Agreement" signed between the Parent and the banks on 19 February 2010.

On 16 June 2002 and 29 June 2006, the Company issued equity, some of which was allotted in exchange for non-monetary contributions. In addition, in 2007, Inmobiliaria Colonial, S.A. (acquiree) merged into Inmobiliaria Colonial, S.A. (then Grupo Inmocaral, S.A.). Lastly, in 2008, Subirats-Coslada Logística, S.L.U., Diagonal Les Poxes 2002, S.L.U., Dehesa de Valme, S.L., Urbaplan 2001, S.A.U., Entrenúcleos Desarrollo Inmobiliario, S.L., Inversiones Tres Cantos, S.L. and Inversiones Notenth, S.L. (acquirees) merged into Inmobiliaria Colonial, S.A. (surviving company).

All the aforementioned transactions came under the tax regime provided for in Title VII, Chapter VIII, of the Spanish Corporate Income Tax Act (*Ley del Impuesto sobre Sociedades*). In accordance with legal requirements, all relevant information regarding these transactions is detailed in the separate financial statements of the Parent for the years concerned.

Inmobiliaria Colonial, S.A.'s shares trade 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 and maintenance and the preservation of its property portfolio.

2. Basis of presentation of the consolidated financial statements

a) Basis of presentation

The consolidated financial statements of Inmobiliaria Colonial, S.A. and subsidiaries for the period ended 31 December 2013 were authorised for issue by the Parent's directors at a board meeting on 28 February 2014, and were prepared on the basis of the accounting records kept by the Parent and by the other companies that make up the Colonial Group.

These consolidated financial statements have been prepared under the International Financial Reporting Standards (IFRS) as adopted by the European Union, applying all mandatory accounting principles, standards and measurement criteria, in keeping with the Spanish Code of Commerce, the Spanish Corporate Enterprises Act, the Spanish Securities Markets Act 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 2013 and of the comprehensive income from its operations and changes in consolidated equity and cash flows for the year then ended.

However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements for 2013 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 IFRS.

In order to present the different items that make up the consolidated financial statements based on the same standards, the accounting policies and measurement bases used by the Parent have been applied to all the companies included in the scope of consolidation.

The Group's consolidated financial statements for the year ended 31 December 2012 were approved by the shareholders of the Parent in General Meeting on 27 June 2013.

b) Adoption of International Financial Reporting Standards

The Colonial Group's consolidated financial statements are presented in accordance with IFRS, 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 under European IFRS is in turn legislated for in final provision eleven of Law 62/2003, of 30 December, on tax, administrative and social order measures.

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

Standards and interpretations effective in 2013

New accounting standards became effective in 2013 and were accordingly applied in preparing the accompanying consolidated financial statements. The new standards are as follows:

Approved for use in the European Union		Mandatory application in annual periods beginning on or after
Amendments to IAS 12 – Income Tax – Deferred Tax on Investment Property (published in December 2010)	Provide guidance on the calculation of deferred tax on investment properties measured at fair value in accordance with IAS 40	Annual periods beginning on or after 1 January 2013
IFRS 13 – Fair Value Measurement (published in May 2011)	Establishes a single source of guidance for fair value measurements and disclosures	Annual periods beginning on or after 1 January 2013
Amendments to IAS 1 – Presentation of Other Comprehensive Income (published in June 2011)	Minor amendment with respect to the presentation of Other Comprehensive Income	Annual periods beginning on or after 1 July 2012 (1 January 2013 for Inmobiliaria Colonial)
Amendments to IAS 19 – Employee Benefits (published in June 2011)	The amendments mainly affect defined benefit plans, as one of the fundamental changes is the elimination of the "corridor approach"	Annual periods beginning on or after 1 January 2013
Amendments to IFRS 7 – Offsetting Financial Assets and Financial Liabilities (published in December 2011)	Introduction of new disclosures when offsetting financial assets and financial liabilities under IAS 32	Annual periods beginning on or after 1 January 2013
Improvements to IFRS, 2009-2011 Cycle (published in May 2012)	Minor amendments to a series of standards	Annual periods beginning on or after 1 January 2013
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine (published in October 2011)	The IFRS Interpretation Committee addresses how and when to account for stripping costs (the process of removing waste from a surface mine)	Annual periods beginning on or after 1 January 2013

The new definition of the fair value of a liability, established under IFRS 13 and based on the concept of the transfer of the liability to a market participant, confirms that credit risk should be taken into account when calculating the fair value of derivative financial instruments. Prior to the new standard, a number of approaches had been used to calculate this fair value. Up until now, the Group, applying the definition of fair value of a liability set out in IAS 39 and based on the concept of "settlement", had opted to exclude the impact of credit risk on the fair value assessment. In the light of the new standard, since 1 January 2013 the Group has taken into account credit risk in the fair value calculation. Accordingly, the first-time adoption of IFRS 13 was realised prospectively along with the rest of the changes in the fair value of derivative financial instruments. Due to the low risk level in the subsidiary SFL and the fact that the Parent's derivatives portfolio has short-term maturities, this has not had a significant impact for the Group.

The application of the amendment to IAS 12 did not have a material effect on the accompanying consolidated financial statements.

Standards and interpretations in issue but not yet effective

At the date of authorisation for issue of these consolidated financial statements, the following standards and interpretations had been published 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 endorsed by the European Union:

New standards, amendments and interpretations		Mandatory application in annual periods beginning on or after
IFRS 10 – Consolidated Financial Statements (published in May 2011)	Replaces the parts of IAS 27 that deal with consolidated financial statements	Annual periods beginning on or after 1 January 2014
IFRS 11 – Joint Arrangements (published in May 2011)	Replaces IAS 31 Interests in Joint Ventures	Annual periods beginning on or after 1 January 2014
IFRS 12 – Disclosure of Interests in Other Entities (published in May 2011)	Single disclosure standard applicable to entities that have interests in subsidiaries, associates, joint arrangements and associates and/or unconsolidated structured entities	Annual periods beginning on or after 1 January 2014
Transition guidance: Amendments to IFRS 10, 11 and 12 (published in June 2012)	Clarification on the transition rules applying to these standards	Annual periods beginning on or after 1 January 2014
IAS 27 (as revised) – Separate Financial Statements (published in May 2011)	The revision to this standard was warranted by the issuance of IFRS 10 which means that IAS 27 will only apply to an entity's separate financial statements going forward	Annual periods beginning on or after 1 January 2014
IAS 28 (as revised) – Investments in Associates and Joint Ventures (published in May 2011)	This revision is parallel to the issuance of IFRS 11 – Joint Arrangements	Annual periods beginning on or after 1 January 2014
Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities (published 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	Annual periods beginning on or after 1 January 2014
Investment entities: Amendment to IFRS 10, IFRS 12 and IAS 27 (published in October 2012)	Provides an exemption from consolidation for parent companies meeting the definition of investment entity	Annual periods beginning on or after 1 January 2014
IFRS 9 – Financial Instruments: Classification and Measurement (published in November 2009 and October 2010) and subsequent amendments of IFRS 9 and IFRS 7 on effective date and transition disclosures (published in December 2011) and hedge accounting and other amendments (November 2013)	Replaces the rules for the classification and measurement of financial assets and liabilities and for derecognition and hedge accounting established in IAS 39	Not expected before 1 January 2017
Amendment to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets (published in May 2013)	Clarifies the additional disclosures required about the measurement when recoverable amount is based on fair value less costs of disposal	Annual periods beginning on or after 1 January 2014
Amendments to IAS 39 - Novation of derivatives and continuation of hedge accounting (published 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	Annual periods beginning on or after 1 January 2014
Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions (published 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	Annual periods beginning on or after 1 July 2014
Improvements to the IFRS 2010-2012 Cycle and 2011-2013 Cycle (published in December 2013)	Minor amendments to a series of standards	Annual periods beginning on or after 1 July 2014
IFRIC 21 Levies (published in May 2013)	Interpretation on when to recognise a liability for levies charged for participation in a market on a specified date	Annual periods beginning on or after 1 January 2014

(1) On 1 June 2012 the Accounting Regulatory Committee of the European Union approved delaying the mandatory effective date of IFRS 10, 11 and 12 and of the new IAS 27 and IAS 28 to the annual periods beginning on or after 1 January 2014. Early adoption will be permitted once the standards are approved for use in the European Union.

Application of IFRS 11 will imply the need to use the equity method of accounting for certain interests currently consolidated using proportionate consolidation (Note 2.e). Adoption of IFRS 11 will involve the recognition of several companies consolidated by the equity method (Note 2.e). The subsidiaries that will be affected by application of IFRS 11 are the Romanian companies Goldale Real Estate S.R.L. and Masterange Imobiliare S.R.L., both of which are classified as assets held for sale.

The Parent's Directors have assessed the potential impacts of the future application of these standards and consider that they will not have a material effect on the Group's consolidated financial statements, except as detailed below.

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. Estimates based on objective data provided by management were made to quantify certain assets, liabilities, revenues, expenses and commitments recognised in the financial statements. These estimates and criteria related to the following:

- Going concern principle (Note 2.g).
- The market value of investment property (Note 4.c).
- Impairment losses on certain inventories as a result of lower property appraisals by independent experts vis-à-vis the carrying amounts of these assets (Note 4.s).
- The recoverability of tax credits in respect of tax loss carryforwards and deferred tax assets recognised in the consolidated statement of financial position (Notes 4.m and 19).
- Goodwill impairment testing (Notes 4.a and 7).
- The value of potential voting rights for the purposes of determining whether the Parent retained control over its investee Asentia Project, S.L.U. at 31 December 2013 (Notes 2.e, 25 and 27).
- Provisions relating to the defined-benefit pension plans at SFL Group. At the end of each reporting period, the Group calculates the required provision for the SFL Group pension plans on the basis of calculations prepared by independent actuaries.

Although these estimates were made on the basis of the best available information at the date of authorising these consolidated financial statements for issue, it is feasible that future events could oblige the Group to modify these amounts (upwards or downwards), which would mean, except for goodwill impairment charges, which cannot be reversed in the future (Note 4.a), prospectively recognising the effects of those changes in the corresponding 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 subsidiaries acquired or sold during the financial year are included within consolidated earnings from the effective acquisition date, or discontinued as of the disposal date, as appropriate.

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

4. When necessary, the consolidated subsidiaries' financial statements 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 value of identifiable assets and liabilities recognised. Recognition of non-controlling interests is as follows:

   a. Interest in investees' equity is presented under "Non-controlling interests" within equity in the consolidated statement of financial position.

   b. Share of profit or loss for the year is recognised under "Profit/(loss) attributable to non-controlling interests" in the consolidated statement of comprehensive income.

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

   Full consolidation:

   - Subsidiaries are fully consolidated. Subsidiaries are those companies in which the Group has the power to influence financial and operating policy; this is generally accompanied by a majority interest in the entity's voting rights. When evaluating whether the Group can exercise control over an entity, management takes into consideration the existence and impact of any potential voting rights as a result of options that can be exercised or converted by year end. The investee Asentia Project, S.L.U. was accordingly fully consolidated at 31 December 2013 because the possibility discussed in Note 25 of converting the participating loan into shares in the company is exercisable by the banks only for a period of 30 days from the day on which Asentia Project, S.L.U. issues the certificate evidencing the Loan to Value and Net Loan to Value ratios. At 31 December 2013, the potential voting rights were not exercisable.

   - The purchase method is used to consolidate subsidiaries acquired in business combinations. 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 stake held by non-controlling shareholders. When the acquisition cost is higher than the fair value of the interest in the identifiable net assets acquired by the Group, the difference is recognised as goodwill. If the acquisition cost is lower than the fair value of the net assets of the acquiree, the difference is recognised directly in the consolidated statement of comprehensive income (see Appendix I for details of companies consolidated at 31 December 2013 and 2012).

Proportionate consolidation:

- Interests in companies held by the Group through joint ventures are accounted for using the proportionate method.

- The Colonial Group’s proportionate share of each line item of assets, liabilities, income and expense and cash flow is included in the corresponding line items for the Parent and its subsidiaries. The gains or losses recognised in the consolidated financial statements on asset sales by the Group to jointly controlled entities are eliminated to the extent of the venturer's interest (see Appendix II for financial information on companies with joint ventures).

The equity method:

- The Group accounts for associates using the equity method. Investment in an associate is initially recognised at cost.

- Associates are entities in which the Colonial Group has significant influence but neither control nor joint 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. Subsequent measurement: the initial investment is increased or decreased to recognise the accumulated aforementioned changes. The Group records its share of its associates' losses until the carrying amount of its investment is reduced to nil. No further losses are recorded by the Colonial Group unless it has an obligation, legal or constructive, or has made payments, to satisfy the associate's liabilities.

- 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 (interests held by the Riofisa subgroup in Bulgaria and Romania) are translated using the exchange rates prevailing at the end of each reporting period. Income and expenses are translated at the average exchanges rates for the period, while other equity items are translated at the historical exchange rate. Any differences arising are classified as equity. Translation differences are recognised in profit or loss in the period in which the investment is realised or disposed of.

f) Changes in the scope of consolidation

In 2013, the Parent's stake 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 (Note 25). The outcome of this agreement was the sale of 143,765 shares in SFL for a total of 6,513 thousand euros.

The impact of the change in the scope of consolidation on the main items of the consolidated statement of financial position at 31 December 2013 is as follows:

EQUITY AND LIABILITIES	Thousands of euros
EQUITY:	
Reserves	29
Non-controlling interests (Note 14)	6,484
CURRENT LIABILITIES (Note 25):	
Liabilities relating to assets held for sale	(6,513)
Total equity and liabilities	-

The changes in the scope of consolidation in 2012 were as follows:

- On 1 June 2012, the boards of directors of SIIC de Paris, a company 29.99% owned by the subsidiary SFL, and SIIC de Paris 8ème, an investee of SIIC de Paris, approved the merger and takeover of SIIC de Paris 8ème (target), through the issue of 531,858 new shares of SIIC de Paris fully subscribed for by the shareholders of the target, except SIIC de Paris. Following this merger, SFL's interest in SIIC de Paris was reduced to 29.63%.

- On 14 December 2012, the subsidiary SC Parchar was taken over by Parchamps, with retrospective effect from 1 January 2012.

- On 26 December 2012, the subsidiary SFL took over SAS Parholding, SC Parchamps, SC Pargal and SC Parhaus, over which until then it held joint control with Prédica. These companies were taken over as a consequence of the shareholders' agreement signed with Prédica, by which SFL came to control their financial and operating policies. The agreement has been in effect since 31 December 2012. Consequently, at 31 December 2012, the companies were consolidated using the full consolidation method.

The consolidated statement of comprehensive income at 31 December 2013 therefore reflects 100% of the results from these companies, while the same statement for 2012 only reflects the Colonial Group's proportionate share in these results as from the date the companies were taken over. The impact of the change in the scope of consolidation on the main items of the consolidated statement of comprehensive income at 31 December 2013 is as follows:

Consolidated statement of comprehensive income	2013
Revenue	13,043
Other operating expenses	(1,334)
Change in fair value of investment property	30,150
Financial profit/(loss)	(3,047)
Profit/(loss) before tax	**38,812**
Income tax expense	(13,434)
Consolidated net profit/(loss) from continuing operations	**25,378**
Consolidated net profit/(loss)	**25,378**
Profit/(loss) for the period attributable to equity holders of the Parent	-
Profit/(loss) attributable to non-controlling interests	25,378

At 31 December 2013 and 2012, the subsidiaries Asentia Invest, S.L.U., Asentia Gestión, S.L.U., MAUD SAS (formerly SB1 SAS), SB2 SAS, SB3 SAS and SCI SB3 were dormant. At both dates, Live in Spain, S.L. and Ariete, S.A. were in liquidation.

g) Going concern principle

In 2013 and 2012, the Colonial Group incurred significant losses, mainly as a result of the impairment of property assets in the Asentia Project subgroup (Note 25), bank borrowing costs, and the write-off of tax credits and goodwill impairment recognised in 2012.

As a result, consolidated equity is negative in the amount of 343,936 thousand euros. However, at 31 December 2013 the equity of Inmobiliaria Colonial, S.A., the Parent of the group, stood at 323,234 thousand euros. As this is higher than its share capital, the Company does not meet any of the grounds for mandatory winding up or an obligatory reduction in share capital.

At 31 December 2013, given that the syndicated loan granted to Inmobiliaria Colonial, S.A. falls due on 31 December 2014, the Group classified the entire debt – 1,759 million euros – to current liabilities. Hence at year-end 2013 the Group's working capital – stripping out "Non-current assets and liabilities held for sale" in the Asentia subgroup, for which the only financial recourse for Colonial is that associated with the warrant issue referred to in Notes 15 and 25 – is negative in the amount of 2,043 million euros.

Against that background, on 21 January 2014 the shareholders held an extraordinary General Meeting to address the refinancing of the Parent's debt. The Board of Directors gave an account of the efforts made in the past several months to reach agreement with bank creditors and prospective investors so as to restructure the Parent's debt and recapitalise the Company. As a result of those negotiations, the Board of Directors has received, inter alia, three separate binding undertakings to invest, subject to a range of conditions, from the following investors:

- the Villar Mir group has undertaken independently to invest cash in the Parent in an amount of up to €300 million funded by the cash proceeds of the issue of ordinary shares carrying rights equal to those attaching to the shares now outstanding;

- the Santo Domingo group has undertaken independently to invest cash in the Parent in an amount of €100 million funded by the cash proceeds of the issue of ordinary shares carrying rights equal to those attaching to the shares now outstanding; and

- Amura Capital (an entity associated with Mora Banc Grup, S.A.) has undertaken independently to invest cash in the Parent in an amount of €100 million funded by the cash proceeds of the issue of ordinary shares carrying rights equal to those attaching to the shares now outstanding.

Each of these investors has represented to the Parent that it acts independently, and is not now nor intends to become privy to any agreement with either of the other two investors or any shareholder or third party in relation to acquisition of shares in the Parent or to the exercise of voting rights.These undertakings are subject to a range of conditions.

The Directors of the Parent accordingly submitted the following proposed resolutions to the shareholders in General Meeting. The resolutions were carried by a majority:

- To decrease share capital by 169 million euros to increase voluntary reserves through reducing the nominal value of each share from 1 euros to 0.25 euros. On 17 February 2014, as explained in Note 27, the capital reduction transaction was entered in the books of the Companies Register.

- To increase share capital by not more than 1,000 million euros by the issue and putting in circulation of not more than 4,000 million new ordinary shares, each having a nominal value of 0.25 euros and carrying rights of pre-emption, provision being made for incomplete allotment. The resolution will be executed once firm undertakings have been given to:

  - restructure the borrowings of the Parent and/or obtain fresh lines of financing to refinance the Parent's syndicated loan (Note 15),

  - reduce the stake in Asentia Project S.L.U. such as to remove that company from the Parent's scope of consolidation or, if applicable, its qualifying as an associate company. As set out in Note 27 to the consolidated financial statements, on 25 February 2014 a final agreement was reached involving the exit of Asentia Project, S.L. from the scope of consolidation of Inmobiliaria Colonial, S.A.

- To increase share capital by the offset of accounts receivable (rights of pre-emption will accordingly be disapplied) in an amount of not more than 500 million euros. That amount may be reduced and replaced by another amount by the Board of Directors in response to subscriptions for the capital increase paid in cash, as set out above. This capital increase must be effected in the form of the issue and putting into circulation of not more than 2,000 million new ordinary shares, each having a nominal value of 0.25 euros and carrying a share issue premium identical to that determined under the foregoing resolution. Such shares must be subscribed for and paid up in full through the offset of accounts receivable held against the Parent, and provision must be made for incomplete allotment.

- The deadline for the Board of Directors of the Parent to set the date of execution of the resolution to increase share capital already adopted by the shareholders in General Meeting, and to specify the terms of the increase, is 4 months from 21 January 2014.

Now, therefore, the Directors authorise these consolidated financial statements for issue, on the going concern basis.

3. Distribution of the Parent's losses

In the light of the loss shown in the Parent's 2013 income statement, there was no proposal to distribute results.

4. Significant accounting policies

The main accounting policies used to prepare the consolidated financial statements in accordance with IFRS and the prevailing interpretations at the time of the preparation of these statements 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 meeting the criteria for recognition under IFRS 3 at fair value. The excess of the fair value of the cost of the business combination over the acquirer's interest in the acquiree's identifiable net assets is recognised as goodwill, which accordingly represents advance payment 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 acquirer's interest in the fair values of the net assets acquired, the difference is recognised immediately in the statement of comprehensive income.

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, irrespective 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 goodwill are not considered impaired. Otherwise, the Group recognises an impairment loss using the following criterion:

- First the goodwill allocated to the CGU is written down.

- If the impairment loss is greater than that amount, the impairment loss is distributed across the CGU's other assets in proportion to their respective carrying amounts.

Goodwill impairment losses may not be reversed subsequently.

b) Property, plant and equipment (Notes 8 and 25)

Properties for own use

Properties 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 period incurred.

Other P, P&E

The assets included under "Other P, P&E" are measured at acquisition cost less accumulated depreciation and impairment, revalued pursuant to applicable legislation. Subsequent additions are 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 by the straight-line method at annual rates based on the years of estimated useful life. The years of estimated useful life for properties 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 P, P&E	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 - Other expenses” (Note 21.d).

c) Investment property (Notes 9 and 25)

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. These gains or losses are not included in operating profit as changes in valuation are not directly within the control of the Group’s management.

Investment property in progress is transferred from inventories to investment property when the assets are ready to be put in 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 in "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 La Salle and Atis Real in France, in both 2013 and 2012) 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, which chiefly relate 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 2013 and 2012 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 entering into 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 marketing 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 determined by the type, age and location of the properties.

The net yields and other assumptions used in determining future cash flows in 2013 and 2012 are set out in the tables below:

Yields netas (%) – Offices	31 December 2013	31 December 2012
Barcelona – Prime Yield		
Leased out	6,39	6,36
Total portfolio	6,39	6,36
Madrid – Prime Yield		
Leased out	6,20	6,31
Total portfolio	6,24	6,27
Paris – Prime Yield		
Leased out	5,12	5,04
Total portfolio	5,13	5,05

Assumptions made at 31 December 2013					
Rental increases (%) - Offices	Year 1	Year 2	Year 3	Year 4	Year 5 and thereafter
Barcelona –					
Cartera en explotación	2,5	2,5	2,5	2,5	2,5
Total cartera	2,5	2,5	2,5	2,5	2,5
Madrid –					
Cartera en explotación	2,5	2,5	2,5	2,5	2,5
Total cartera	2,5	2,5	2,5	2,5	2,5
Paris –					
Cartera en explotación	0,2	2,3	2,0	2,3	2,3
Total cartera	0,2	2,3	2,0	2,3	2,3

Assumptions made at 31 December 2012				
Rental increases (%) - Offices	Year 1	Year 2	Year 3	Year 4
Barcelona –				
Leased out	2.5	2.5	2.5	2.5
Total portfolio	2.5	2.5	2.5	2.5
Madrid –				
Leased out	2.5	2.5	2.5	2.5
Total portfolio	2.5	2.5	2.5	2.5
Paris –				
Leased out	-	1.7	0.8	1.2
Total portfolio	-	1.7	0.8	1.2

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 2013 and 31 December 2012 to determine the value of its investment property:

	Thousands of euros		
Sensitivity of valuations to changes of one-quarter of one point in yield	Valuation	Decrease of one-quarter of one point	Increase of one-quarter of one point
December 2013	5,039,038	+266,354	-241,224
December 2012	5,243,469	+284,411	-255,472

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

The table below details the borrowing costs capitalised in the years ended 31 December 2013 and 2012:

	Thousands of euros	
	Amount capitalised during the period	Average interest rate
2013:		
Inmobiliaria Colonial, S.A.	48	2.97%
SFL subgroup	10,937	3.59%
Total 2013:	**10,985**	-
2012:		
Inmobiliaria Colonial, S.A.	457	3.47%
SFL subgroup	12,014	4.61%
Total 2012:	**12,471**	-

The rental income earned in 2013 and 2012 from the lease of these investment properties amounted to 213,111 thousand euros and 225,293 thousand euros, respectively (Note 21.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 tenants (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 2013 and 2012, all these rights relate to investment property and are therefore measured at market value and are not depreciated.

"Bank borrowings and other financial liabilities" (Note 15), both current and non-current, in the consolidated statement of financial position include the total liability arising from lease payments 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, 12 and 25)

Initial measurement

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

Classification and subsequent measurement

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

- Investments consolidated 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: this heading includes 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: this heading includes loans granted to third parties and associates. They are measured at 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 tenants, in accordance with prevailing legislation.

- Non-derivative financial assets: this heading includes held-to-maturity current and non-current fixed income investments, which are measured at amortised cost. Short-term fixed income investments are recorded as financial assets within current assets. Interest income is accrued in income currently, following financial criteria.

Financial liabilities (Notes 15 and 25)

Financial liabilities consist primarily of bank borrowings.

Debts and payables 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 conditions of the financial liabilities are substantially different if the present value of discounted cash flows under the new conditions, including net fees 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 (Notes 12 and 25)

Receivables are carried at recoverable value, i.e., net of provisions, if appropriate, for past-due balances where circumstances warrant their being considered as bad debts.

At 31 December 2013 and 2012, the Group had no significant receivables past due but not impaired.

g) Cash and cash equivalents (Notes 15 and 25)

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

h) Own equity instruments (Note 14)

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

The equity instruments issued by the Parent are recorded under equity at the amount received net of the costs of the issue.

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 18 and 20)

In preparing the consolidated financial statements, the Directors of the Parent distinguish between:

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

- Contingent liabilities: potential liabilities 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. Contingent liabilities are not recognised, but are disclosed in Note 20.

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 totally or partially reversed if and when said risks disappear or diminish.

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 a cost in the financial year in which the decision to terminate the contract is taken and a reasonable expectation regarding termination is transmitted to third parties. At 31 December 2013 there was a provision of 235 thousand euros for liabilities surrounding discontinued operations. At 31 December 2012, no provision was recognised in this connection.

Pension obligations

At 31 December 2013, the SFL subgroup had several defined-benefit pension plans. Defined-benefit commitments 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 those plans is the sum of the service costs for the period, interest expense and actuarial gains and losses. At 31 December 2013, the amount recognised in the accompanying consolidated statement of financial position in this connection was 885 thousand euros (1,043 thousand euros at 31 December 2012).

Share-based payment

The Group recognises the goods and services received as an asset or an expense, depending on their nature, when obtained, 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 at the date on which the recognition requirements are met.

The Parent had in place a long-term bonus scheme which could be settled only with shares of Inmobiliaria Colonial, S.A. However, on 21 January 2014, the shareholders in General Meeting decided to scrap the scheme (Note 22). Services received are measured at the fair value (quoted price) of the shares of Inmobiliaria Colonial, S.A. when the bonus scheme was approved.

k) Derivative financial instruments (Note 16 and 25)

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 following valuation criteria have been applied:

- Cash-flow hedges: fair value gains or losses arising on transactions which qualify 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 derivatives 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.

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 gain or loss accumulated in equity is released to the consolidated statement of comprehensive income for the period. 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 of 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.

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 19)

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.

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

Corporate income tax expense for the year is calculated based on taxable income for the year, which differs from profit before tax presented in the consolidated statement of comprehensive income, inasmuch as the latter 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 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 property 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 at that date.

This regime affects only property 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 terminated 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 are distributed each year in the form of dividends.

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 general French corporate tax 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 maintains an ownership interest of less than 60%.

At 31 December 2007, the Parent notified its subsidiary 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 referred to above is not being applied.

The Colonial Group recognises a deferred tax liability in connection with the asset revaluations under the SIIC regime, calculated as the minimum stipulated dividend under the regime, in the event that all capital gains on the investment properties recognised by the SFL Group are realised. The capital gains generated are capitalised at an annual rate of 3% over a ten-year period and discounted at a rate of 4.1% (5.2% in 2010). The effective tax rate used to calculate the deferred tax liability was 11.15%.

In this connection, a deferred tax liability of 20,896 thousand euros was recognised in the consolidated statements of financial position both at 31 December 2013 and at 31 December 2012.

Deferred tax liabilities related to business combination restatements to fair value of properties held under concession, investment property and inventories

Deferred taxes (assets or liabilities) are taxes expected to be paid or recovered using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The deferred tax recognised in connection with the business combination referred to above as a result of the purchase price allocation to investment properties and properties in progress at subsidiaries Inmobiliaria Colonial, S.A., Subirats-Coslada-Logística, S.L.U. (absorbed companies), and Torre Marenostrum, S.L. (Note 1) was calculated applying a tax rate of 30%, net of the monetary correction allocable to each asset item, to 31.422% of the total allocated purchase price.

The remaining deferred tax assets and liabilities associated with properties located in Spain, as a result of the use of IAS 40 fair value criteria, were calculated by applying a rate of 30% net of the change in the assets' monetary correction.

The calculation of deferred tax assets and liabilities, however, does not take into consideration the reinvestment tax credits under Article 42.7 of the Spanish Corporate Tax Act or any deductions that may apply in future which would reduce the effective applicable tax rate.

Deferred tax assets in the form of tax loss carryforwards

The Parent has recorded significant losses during recent years directly as a result of the fall in value of its property assets, estimated on the basis of independent expert appraisals, and goodwill impairment losses on its equity investments in Riofisa and FCC, as recorded in the accompanying consolidated statement of financial position.

The accompanying consolidated statement of financial position recognises those tax credits which it is estimated will probably be recovered within a reasonable timeframe, either due to the performance of the property market itself, which could lead to the reversal of impairment losses on its investment properties, or through taxable profits generated by the activities overseen by the Parent's management.

n) Recognition of revenue and expenses (Notes 21 and 25)

Revenue and expenses are recognised 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 IFRS, 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 2013 and 2012, all of the Group's leases qualified as operating leases, except for the finance leases indicated in Note 9.

Income and expenses arising 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 received or given.

o) Borrowing costs

Borrowing costs directly allocable to the acquisition, construction or production of qualifying investment property or property developments (Notes 4.c and 4.s, respectively), 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 ready for their intended use or sale (Notes 9 and 25).

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. Cash equivalents are highly liquid short-term investments subject to insignificant risk of changes in value (Note 4.g).

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

- Investing activities: the acquisition and 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 tenants

In accordance with IFRS, the Group does not consider costs passed on to lessees of its investment property as revenue. In 2013 and 2012, the Group invoiced 42,860 thousand euros and 40,904 thousand euros, respectively, in connection with costs passed on to tenants, 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 2013 and 2012, included under “Operating profit” in the accompanying consolidated statement of comprehensive income, amounted to 63,309 thousand euros and 64,324 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 arm’s length. 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 materialise in a material liability in the future.

s) Non-current assets held for sale and discontinued operations (Note 25)

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 the 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 assets which at the date of authorisation of 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 by other means or classification as “held for sale” of a component of the Group, which in addition:

- represents a significant line of business or a geographical area that can be considered to be separate from the rest,

- forms part of an individual and coordinated plan to dispose of a significant line of business or a geographical area that can be considered to be separate from the rest, or

- is a subsidiary acquired exclusively to be resold.

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 that 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 any 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 and 2012, the Parent carried its interest in the sub-group headed by 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.

The specific measurement bases corresponding to assets and liabilities that affect only discontinued operations are detailed below. For the remaining items in the statement of financial position and the statement of comprehensive income, the general measurement bases of the Colonial Group described in this Note have been used.

Property, plant and equipment held under concession

The subsidiary Necsa, S.A., which is part of the Riofisa subgroup, operates several properties under service concession arrangements or long-term lease agreements. The use given to these assets is the same as that of investment property, the sole difference being that the construction is erected on land that is not owned by the Group and for which a specific concession has been obtained for a finite construction and operating period.

The value of concessions includes the capitalisation of the discounted value of the fixed fees that will be paid over the full concession period, generating a payable as an offsetting item.

Licences or lease agreements grant authorisation for construction and operation for a renewable period of between 30 and 50 years. At the end of the concession period all the buildings and installations revert to the public entity granting the concession and no consideration is received.

The Parent's management measures properties operated under concessions at cost in accordance with IFRIC 12, plus revaluations recognised in connection with a business combination, which may in no event exceed the fair value of the underlying concessions, as determined by the Group's third-party independent appraisers (Jones Lang Lasalle).

The methodology used to determine the market value of the property held by the Group under concessions in 2013 and 2012 is the income capitalisation method, which consists of capitalising the net estimated income generated by each property over the lease 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 entering into 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 Group begins to depreciate concession assets when they are ready for use, i.e., when they ready to be operated as envisaged by the Parent's management. The Group depreciates these assets on a straight-line basis over whichever is shorter of the term of the concession arrangement or the asset's useful life.

In addition, in accordance with IAS 37, the subsidiary Necsa has capitalised the present value of the estimated future cost of delivering the various concessions in suitable repair at the end of the concession term. That present value amounted to 9,157 thousand euros.

Inventories

Inventories consist of land, developments under construction and finished developments and are valued at acquisition cost or execution cost, increased by any restatements to fair value under purchase price allocations in connection with business combinations or in connection with the corporate restructuring, specifically the non-monetary contributions detailed in Note 1.

Execution cost includes direct and indirect construction costs in addition to the expenses incurred in financing the construction work while in progress, as long as the construction work takes longer than one year.

Prepayments made in connection with call options on properties are recognised as inventory prepayments and it is assumed that expectations regarding the conditions enabling their exercise will be met.

The Group records inventory impairment provisions, as appropriate, when market value is lower than carrying amount.

The corresponding valuation was carried out based on appraisals performed by independent experts (Jones Lang LaSalle) in accordance with the Appraisal and Valuation Standards issued by the Royal Institute of Chartered Surveyors (RICS) of the United Kingdom, and the International Valuation Standards (IVS) issued by the International Valuation Standards Committee (IVSC).

The land portfolio was valued using the residual method, which was deemed the best approach. This approach was supplemented by the use of the comparable sales method in order to verify the consistency of the resulting unit valuations.

The residual method begins with an estimate of the income yielded by the developed and fully finished property; from this value, development, planning, construction and demolition costs, professional fees, permit and marketing costs, borrowing costs and development profit, among other items, are then deducted, in order to arrive at an implied price which a developer might pay for the land in its current undeveloped state.

Accordingly, this method is used to analyse the attitude of an investor/developer to plots of these characteristics. The valuation takes into consideration, therefore, the likely most profitable development based on market demand projections and urban planning regulations, modelling the highest market rents given the location and its limitations. As detailed above, this method gives rise to the price which a developer/investor would be willing to pay for the land in its current state.

The table below details the borrowing costs capitalised in the years ended 31 December 2013 and 2012:

	Thousands of euros	
	Amount capitalised during the period	Average interest rate
2013:		
Desarrollos Urbanísticos Entrenúcleos, S.L.U.	3,331	3.08%
Total 2013:	**3,331**	**-**
2012:		
Desarrollos Urbanísticos Entrenúcleos, S.L.U.	6,417	4.44%
Total 2012:	**6,417**	**-**

Current / non-current

Assets and liabilities maturing in one year or less are classified as current and those maturing thereafter as non-current, with the exception of “Inventories,” which are classified as current assets given that they must be realised within the land and development subgroup’s normal operating cycle, and the liabilities directly associated with these assets, which are classified as non-current irrespective of whether they mature in the short or long term. In addition, bank borrowings are classified as non-current if the Asentia Project subgroup has the irrevocable right to make payments after twelve months from the end of the reporting period; however, the portion related to secured developer loans, which according to scheduled deliveries will be repaid within 12 months, has been classified as current.

5. Earnings per share

Basic earnings per share are calculated by dividing earnings for the year attributable to owners 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 (Note 14).

On 28 July 2010 and 25 January 2011, the Parent executed notarial instruments for the issuance of warrants in connection with the financings of Asentia Project, S.L.U. and Abix, S.L.U. (Note 15), in the amounts of 275,000 thousand euros and 23,333 thousand euros, respectively. At 31 December 2013, the conditions under which the holders may exercise their warrants were unmet; accordingly their dilutive effect has not been taken into consideration.

	Thousands of euros	
	31 December 2013	31 December 2012
Consolidated profit/(loss) for the year attributable to owners of the Parent	**(546,928)**	**(1,129,005)**
- from continuing operations	(164,324)	(721,691)
- from discontinued operations (Note 25)	(382,604)	(407,314)
	No. of shares	No. of shares
Weighted average number of ordinary shares (‘000)	224,209	224,956
Number of potential ordinary shares resulting from conversion of bonds (‘000) (Note 14)	80	77
Weighted average number of ordinary shares - diluted (‘000)	224,209	224,956
	euros	euros
Basic and diluted earnings per share:	**(2.439)**	**(5.019)**
- from continuing operations	(0.733)	(3.208)
- from discontinued operations	(1.706)	(1.811)

For information purposes, the conversion of the warrants outstanding on 31 December 2013, assuming an exercise price of 12 euros per share, would give rise to the issuance of 24,861 thousand shares. The diluted average number of ordinary shares, including the impact of conversion of the warrants since 1 January 2013, would be 249,070 thousand shares, leaving a diluted loss per share of 2.196 euros.

6. Segment reporting

Segmentation criteria

Segment reporting is organised, first, on the basis of the business segments of the Group, and, secondly, following the geographical segment format.

The business segments described below have been defined in line with the Colonial Group’s organisational structure at 31 December 2013, which has been used by the Group’s management to analyse the financial performance of the various operating segments.

The Group is organised along the following main business segments, which form the basis of its primary segment reporting format:

- 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.

- Revenues and expenses which are not directly related and allocated to these lines of business are allocated to the “Corporate Unit”.

The Group's businesses are conducted in Spain, the home market segment, and in France, Bulgaria and Rumania, which compose the international segment.

Basis and methodology for 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 of these businesses is as follows:

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 21.a)	28,359	35,437	149,315	-	213,111	-	-	213,111
Other income (Note 21.b)	294	1,293	2,508	-	4,095	-		4,095
Net gain/(loss) on sales of assets (Note 21.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 21.f)	(49,344)	(60,739)	147,291	222	37,430	-	-	37,430
Net impairment charges (Note 21.e)	-	-	-	-	-	-	(649)	(649)
Net finance cost (Note 21.g)	-	-	-	-	-	-	(192,000)	(192,000)
Profit/(loss) before tax	-	-	-	-	-	-	(25,027)	(25,027)
Consolidated net profit/(loss) from continuing operations	-	-	-	-	-	-	(59,844)	(59,844)
Loss from discontinued operations (Note 25)	6	(8,265)	-	(24,419)	(32,678)	(363,964)	(8,410)	(405,052)
Consolidated net profit/(loss)	-	-	-	-	-	-	(464,896)	(464,896)
Profit/(loss) attributable to non-controlling interests (Note 21.i)	-	-	-	-	-	-	82,032	82,032
Profit/(loss) attributable to owners of the Parent (Note 5)	-	-	-	-	-	-	(546,928)	(546,928)

There were no significant inter-segment transactions during 2013, except for those indicated in Note 25 in respect of debt restructuring in Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U.

None of the Group's customers represented more than 10% of 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 in associates (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 25)	-	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 15)	-	-	-	-	-	-	2,687,416	2,687,416
Bonds and similar securities issued (Note 15)	-	-	-	-	-	-	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 expense	(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 21.f)	(49,344)	(60,739)	147,291	222	37,430	-	-	37,430
Net impairment charges (Note 21.e)	-	-	-	-	-	-	(649)	(649)

2012 segment reporting

	Thousands of euros							
	Rentals					Development & land	Corporate Unit	Total Group
	Barcelona	Madrid	Paris	Other	Total rentals			
Revenue	31,251	44,681	154,220	-	230,332	-	-	230,332
Revenue (Note 21.a)	31,003	44,088	150,202	-	225,293	-	-	225,293
Other income (Note 21.b)	248	773	4,018	-	5,039	-	-	5,039
Net gain/(loss) on sales of assets (Notes 21.f)	-	(3,763)	-	-	(3,763)	-	(3)	(3,766)
Operating profit/(loss)	26,878	34,426	136,810	(159)	197,955	-	(54,576)	143,380
Change in fair value of investment property (Note 21.f)	(87,361)	(125,249)	236,260	(4,557)	19,093	-	-	19,093
Impairment charges and net gains/(losses) on assets (Note 21.e)	-	-	-	-	-	-	(59,923)	(59,923)
Net finance cost (Note 21.g)	-	-	-	-	-	-	(149,014)	(149,014)
Profit/(loss) before tax	-	-	-	-	-	-	(46,464)	(46,464)
Consolidated net profit/(loss) from continuing operations	-	-	-	-	-	-	(575,243)	(575,242)
Loss from discontinued operations (Note 25)	-	(6,609)	-	(6,073)	(12,682)	(307,610)	(98,878)	(419,170)
Consolidated net profit/(loss)	-	-	-	-	-	-	(994,412)	(994,412)
Profit/(loss) attributable to non-controlling interests (Notes 21.i)	-	-	-	-	-	-	134,593	134,593
Profit/(loss) attributable to owners of the Parent (Note 5)	-	-	-	-	-	-	(1,129,005)	(1,129,005)

There were no significant inter-segment transactions in 2012.

None of the Group’s customers represented more than 10% of 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)	567,800	680,640	3,534,051	-	4,782,491	-	35,413	4,817,904
Financial assets	8,790	(874)	777	-	8,693	-	81,846	90,539
Investments in associates (Note 10)	-	-	286,560	-	286,560	-	-	286,560
Other non-current assets	2,659	1,146	163	-	3,968	-	243,259	247,227
Trade receivables and other current assets	-	-	-	-	-	-	67,424	67,424
Non-current assets held for sale (Note 25)	36,181	52,973	286,777	10,933	386,864	1,236,942	-	1,623,806
Total	**615,430**	**733,885**	**4,228,328**	**10,933**	**5,588,576**	**1,236,942**	**427,943**	**7,253,460**

	Thousands of euros							
	Rentals					**Development & land**	**Corporate Unit**	**Total Group**
	Barcelona	Madrid	Paris	Other	Total rentals			
Liabilities								
Bank borrowings and other financial liabilities (Note 15)	-	-	-	-	-	-	2,795,543	2,795,543
Issue of bonds and similar securities (Note 15)	-	-	-	-	-		1,007,193	1,007,193
Trade liabilities (suppliers and payables)	-	-	-	-	-	-	106,536	106,536
Other disclosures								
Investments in intangible assets, property, plant and equipment and investment property	3,808	2,879	143,484	34	150,205	-	259	150,464

	Thousands of euros							
	Rentals					Development & land	Corporate Unit	Total Group
	Barcelona	Madrid	Paris	Other	Total rentals			
Other disclosures								
Depreciation and amortisation expense	(10)	-	(434)	-	(444)	-	(887)	(1,331)
Expenses that do not entail outflows of cash other than the depreciation and amortisation charge for the year								
Changes in provisions	(36)	(2,479)	(47)	-	(2,561)	-	(23,527)	(26,088)
Change in fair value of investment property (Note 21.f)	(87,361)	(125,249)	(236,260)	(4,557)	19,093	-	-	19,093
Net impairment charges (Note 21.e)	-	-	(57,972)	-	(57,972)	-	(1,951)	(59,923)

7. Goodwill

Movements in goodwill during 2013 and 2012 were as follows:

	Thousands of euros		
	Inmobiliaria Colonial, S.A.	Other	**Total**
Balance at 31 December 2011	**177,604**	**368**	**177,972**
Impairment	(57,604)	(368)	(57,972)
Balance at 31 December 2012	**120,000**	-	**120,000**
Impairment	-	-	-
Balance at 31 December 2013	**120,000**	-	**120,000**

The goodwill shown in the “Inmobiliaria Colonial, S.A.” column includes the goodwill arising from the business combination between the current Inmobiliaria Colonial, S.A. (formerly, Inmocaral Servicios, S.A.) and Inmobiliaria Colonial, S.A. (absorbed company), described in Note 1.

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.

At 31 December 2011, this analysis evidenced that the rentals CGU and the associated goodwill were impaired, giving rise to a charge of 69,079 thousand euros. Following the impairment charge, the entire goodwill is 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.

At 31 December 2012, operations in France had performed favourably and in line with the projections in the business plan. Nevertheless, the Parent's Directors, in light of uncertainty in the markets, chose to consider a more prudent scenario regarding both rental income in coming years and the discount rates applied to the cash flows. Therefore, it recognised an impairment of 57,972 thousand euros in the consolidated statement of comprehensive income.

However, in the light of the impairment tests performed at 31 December 2013, the Parent's Directors did not consider it necessary to recognise any additional goodwill impairment.

The basic assumptions used for the impairment tests in 2013 and 2012 (Note 4.a) are:

	2013	2012
Projection period (years)	10	10
Asset rotation rate, %	5% annual	5% annual
France		
Discount rate	5.80%	6.00%
Nominal growth rate (“g”)	1.50%	1.50%
Yield on investment, % (Note 4.c)	6.00%	6.00%

The financial projections cover a period greater than five years, as the Parent’s management considers that management of a rental property portfolio in the normal course of business should be based on a business cycle of at least 10 years in order adequately to manage the properties in terms of asset rotation and reinvestment of cash flows generated in assets of a similar nature with yields at market rates.

The Parent’s management also considers that both the asset rotation rate and the nominal rental income growth in perpetuity rate (g) used here adequately reflect trends in the office rentals markets in France in recent years. The Colonial Group actively manages its property portfolio and therefore considers that the asset rotation assumptions applied are reasonable for the period under consideration.

The cash flows referred to above were discounted at a rate that takes into account the risks associated with the rentals business in France and the quality of the Colonial Group’s asset portfolio.

The discount rate for each market is determined based on a risk-free rate plus a risk premium which reflects all the risks inherent to the business and to the market in which the Colonial Group operates.

The sensitivity of the goodwill impairment charge to changes in the discount rate (by +10bp) and to the yield generated by reinvesting and the asset rotation rate is shown in the following table:

	Millions of euros
Sensitivity to discount rate (+20bp)	(28)
Sensitivity to asset rotation rate (-1%)	-
Sensitivity to yield on reinvestment (-10bp)	-

8. Property, plant and equipment

The movement in property, plant and equipment in 2013 and 2012 was as follows:

	Thousands of euros								
	Properties for own use			Other P,P&E		Total			
	Cost	Accumulated depreciation	Impairment	Cost	Accumulated depreciation	Cost	Accumulated depreciation	Impairment	**Total**
Balance at 31 December 2011	**43,095**	**(6,371)**	**(6,348)**	**10,375**	**(3,581)**	**53,470**	**(9,952)**	**(6,348)**	**37,170**
Additions or charges	-	(326)	(1,951)	27	(764)	27	(1,090)	(1,951)	(3,014)
Decreases or derecognitions	-	-	-	(19)	15	(19)	15	-	(4)
Transfers	-	-	-	117	-	117	-	-	117
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 or derecognitions	-	-	-	(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**

At 31 December 2013 and 2012, 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 40 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 "Properties for own use".

At 31 December 2013, the need to recognise an asset impairment charge in the amount of 649 thousand euros was evidenced by the appraisals performed by independent experts. In 2012, an impairment loss of 1,951 thousand euros was recognised.

9. Investment property

The movements under this heading in the years ended 31 December 2013 and 2012 were as follows:

	Thousands of euros			
	Investment property	Investment property in progress	Prepayments	**Total**
Balance at 31 December 2011	**4,296,800**	**320,459**	**854**	**4,618,113**
Additions	5,037	140,745	3,892	**149,674**
Decreases or derecognitions	-	(4)	-	**(4)**
Transfers	(176,217)	(68,329)	-	**(244,546)**
Changes in the scope of consolidation	257,043	1,564	-	**258,607**
Change in fair value (Note 21.f)	8,609	(8,316)	-	**293**
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 or derecognitions	-	(6)	(6,077)	**(6,083)**
Transfers	120,930	(201,308)	-	**(80,378)**
Change in fair value (Note 21.f)	76,542	(10,103)	-	**66,439**
Balance at 31 December 2013	**4,602,391**	**307,006**	**6,669**	**4,916,066**

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” after they had been refurbished. One pertains to the Parent and the other to the subsidiary SFL. The amounts transferred were 33,970 thousand euros and 182,873 thousand euros, respectively.

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 (Note 15) 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.

The heading labelled “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 2013 and 2012 of 66,439 thousand euros and 293 thousand euros, respectively (Note 21.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 2013 and 2012 (Note 4.c).

Changes in 2012

Additions in 2012 primarily relate to development and renovation projects, mainly in properties of the SFL subgroup, in the amount of 139,058 thousand euros. The Parent made investments totalling approximately 1,687 thousand euros.

Transfers in 2012 correspond primarily to the reclassification of the property of the subsidiary SFL to assets held for sale, in the amount of 244,575 thousand euros. In addition, three properties were transferred from “Investment property in progress” to “Investment property” upon completion of the corresponding refurbishment work, for a total of 187,416 thousand euros. Also, one property was transferred from “Investment property” to “Investment property in progress”, for the amount of 110,287 thousand euros.

Other disclosures

The total surface area (above and below ground) of investment property and projects under development at 31 December 2013 and 2012 is as follows:

	Total surface area (m^2) of investment property, continuing operations					
	For rental		Projects under development		Total	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Barcelona	252,370	252,868	49,617	59,778	301,987	312,646
Madrid	184,281	200,549	15,434	39,510	199,715	240,059
Rest of Spain	458	78	-	-	458	78
Paris (*)	353,947	345,860	76,781	57,853	430,728	403,713
	791,055	**799,355**	**141,832**	**157,141**	**932,888**	**956,496**

(*) Including 100% of the floor space of Washington Plaza (a property owned by SCI Washington, a 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 (Nota 2.f)).

At 31 December 2013, the Group had taken out mortgages in an aggregate amount of 534,017 thousand euros against properties with a net carrying amount of 1,024,001 thousand euros (Note 15). At 31 December 2012, the corresponding balances were 643,960 thousand and 1,248,728 thousand euros, respectively.

In addition, at 31 December 2013 and 2012, the Parent’s syndicated loan was secured by mortgages of 1,409,808 thousand euros and 1,414,540 thousand euros, respectively, on certain assets of Inmobiliaria Colonial, S.A. (Note 15). In 2013 this guarantee decreased by 4,732 thousand euros due to the sale of the car park of a building owned by the Parent and classified to "Non-current assets held for sale".

The Group’s main finance leases at 31 December 2013 and 2012 are as follows:

			Thousands of euros		
			Asset’s net carrying amount	Instalments outstanding	
Description	Average term (years)	Average years transpired		Non-current	Current
Prony-Wagram	7	4.5	32,851	30,061	2,790
Finance lease assets at 31 December 2013 (Note 15)			**32,851**	**30,061**	**2,790**

Description	Average term (years)	Average years transpired	Thousands of euros Asset's net carrying amount	Instalments outstanding Non-current	Current
Rives de Seine	12	11.2	53,668	-	53,668
Prony-Wagram	7	3.5	35,641	32,851	2,790
Finance lease assets at 31 December 2012 (Note 15)			**89,309**	**32,851**	**56,458**

During 2013, the subsidiary SFL exercised the option to terminate the finance lease for the Rives de Seine property and acquire the property, which is subject to the SIIC regime (Notes 4.m and 19).

10. Non-current financial assets

The movements under this heading in the years ended 31 December 2013 and 2012 were as follows:

	Thousands of euros			
	Balance at 31 December 2012	Acquisitions and charges	Disposals or decreases	Balance at 31 December 2013
Investments in associates (Note 2.e)	286,560	24,847	(9,066)	302,341
Investments in unconsolidated companies	1,071	-	-	1,071
Prepayments (Note 20)	80,000	-	(80,000)	-
Financial instruments (Note 16)	84	-	(84)	-
Deposits and guarantees extended	8,270	90	(951)	7,409
Impairment	(81,071)	-	80,000	(1,071)
Total	**294,914**	**24,937**	**(10,101)**	**309,750**

	Thousands of euros			
	Balance at 31 December 2011	Acquisitions and charges	Disposals or decreases	Balance at 31 December 2012
Investments in associates (Note 2.e)	266,106	23,519	(3,065)	286,560
Investments in unconsolidated companies	1,071	-	-	1,071
Prepayments (Note 20)	80,000	-	-	80,000
Financial instruments (Note 16)	9,176	2,293	(11,385)	84
Deposits and guarantees extended	7,607	945	(282)	8,270
Impairment	(81,071)	-	-	(81,071)
Total	**282,889**	**26,757**	**(14,732)**	**294,914**

Investments in associates

The movement in "Investments in associates" in 2013 and 2012 is as follows:

	Thousands of euros
	SIIC de Paris, S.A.
Balance at 31 December 2011	**266,106**
Acquisitions or share of profit	22,637
Changes in the scope of consolidation (Note 2.f)	882
Disposals or dividends received	(3,065)
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**

During 2013, the carrying amount of the investment in SIIC de Paris increased by 24,847 thousand euros, which is the subsidiary SFL's share of that company's profit, of which 20,969 thousand euros was recognised in the consolidated statement of comprehensive income (Note 21.g) and 3,878 thousand euros was recognised directly in Group equity. In addition, the figure was decreased by 9,066 thousand euros, which is the dividend received by SFL from SIIC de Paris.

Investment in SIIC de Paris, S.A.

At 31 December 2013 and 2012, SFL held 12,769,538 shares in SIIC de Paris, representing 29.63% of the latter's share capital.

The table below includes the headline figures for SIIC de Paris as at 30 June 2013, based on the latest information publicly disclosed by that Group investee:

	Thousands of euros
(Information prepared under IFRS cost criteria)	30 June 2013
Total assets	1,317,036
Total equity	722,560
Total liabilities	594,476
Revenue	36,677
Profit for the period	20,826

At 30 June 2013, the published net asset value of SIIC de Paris was 23.20 euros per share.

Deposits and guarantees extended

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

11. Other non-current assets

"Other non-current assets" in the accompanying consolidated statement of financial position includes the receivable from a previous 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 described in Note 1 and subscribed through the non-cash contribution of certain assets. This receivable, in the amount of 61,001 thousand euros, will be assumed by the previous shareholders when the income tax accrues. The receivable is secured by a first demand guarantee issued by Banco Popular.

The guarantees for those amounts are not time-limited, as they will be enforced or cancelled when the assets are transferred to a third party or when the shareholders who contributed assets transfer their shares in the Parent, whichever occurs first.

At 31 December 2013 and 2012, the guaranteed receivable amounted to 30,501 thousand euros, following recognition of an impairment in 2012, recorded under "Net change in provisions".

12. Trade and other receivables

The breakdown of this current asset heading in the accompanying consolidated statement of financial position at 31 December 2013 and 2012 is as follows:

	Thousands of euros	
	31 December 2013	31 December 2012
Trade receivables from sales and services	48,607	53,859
Other receivables	155.224	154,972
Impairment of trade receivables (Note 21.e)	(156.604)	(160,674)
Other current assets	249	450
Total trade and other receivables	**47,476**	**48,607**

Trade receivables from sales and services

"Trade receivables from sales and services" in the table above includes the sums 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 2013 or 2012.

Furthermore, this heading includes 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 2013 and 2012, these incentives totalled 36,016 thousand euros and 36,130 thousand euros.

Other receivables and impairment losses on trade receivables

The amounts owed by Nozar, S.A. and NZ Patrimonio, S.L.U., resulting from the discharge of purchase contracts signed in July 2007 due to the conditions precedent not being satisfied, are recognised under "Other receivables", and totalled 152,189 thousand euros, including accrued interest (Note 21.e).

Nozar, S.A. and NZ Patrimonio, S.L.U. are currently in insolvency proceedings; consequently, at 31 December 2013 and 2012, the accompanying consolidated statement of financial position includes an impairment for the entire amount of accounts receivable from these companies.

13. Financial assets

"Financial assets (current)" in the accompanying consolidated statement of financial position primarily comprised the 1,271,652 shares in Fomento de Construcciones y Contratas, S.A. (FCC) held by the Parent, representing 0.99% of that company's share capital. This investment was considered an available-for-sale financial asset. The carrying amount of this shareholding was 12,233 thousand euros at 31 December 2012.

At 31 December 2011, the amount recognised directly in equity as a result of changes in the fair value of the shares held in FCC was a negative 7,909 thousand euros. In 2012, the value of the investment held in FCC had declined by an additional 12,595 thousand euros in accordance with this company's quoted stock price. The cumulative decline of 20,504 thousand euros was taken to equity. At 31 December 2012, the Parent recognised the accumulated impairment of this investment under "Impairment of financial assets" of the consolidated statement of comprehensive income, given that it considered the impairment to be permanent.

In 2013, the Parent sold 1,271,632 shares for 17,418 thousand euros (Note 15), generating a net gain of 5,203 thousand euros (Note 21.g).

At 31 December 2013, the Parent retained 20 FCC shares in its portfolio.

At 31 December 2013 and 2012, the shares in FCC were pledged as security in respect of the syndicated loan (Note 15).

14. Equity

Share capital

The Parent's share capital at 31 December 2011 comprised 225,918,009 fully subscribed and paid-in shares with a nominal value of 1 euro each, represented by book entries.

In January 2012, additional equity was issued in response to a request to convert convertible bonds into shares. As a result, 79 convertible bonds were redeemed and share capital and the share premium were increased by 9 thousand euros, by means of the issue of 374 new shares (at a nominal value of 1 euro each plus a share premium of 24 euros per share). This capital increase was fully paid in.

In January 2013, additional equity was issued in response to a request to convert 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, by means of the issue of 307 new shares (at a nominal value of 1 euro each plus a share premium of 24 euros per share). This capital increase was fully paid in.

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

Based on the pertinent filings with the CNMV, the shareholders owning significant direct or indirect interests of 3% or more in the Parent at 31 December 2013 and 2012 are as follows:

31 December 2013

	% of equity		
	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.

In January and February 2014, the Parent was aware of the following filings regarding stakes in its share capital:

- On 14 January 2014, Inmobiliaria Espacio, S.A. (a company owned by Grupo Villar Mir, S.A.) acquired the stake held to that date by HM Treasury.
- On 17 January 2014, Caja de Ahorros y Pensiones de Barcelona reduced its stake to 2.6%.
- On 23 January 2014, Banco Popular Español, S.A. reduced its stake to 0.9%.
- On 23 January 2014, Crédit Agricole, S.A. sold 7.5% of its stake.
- On 27 January 2014, Mora Banc Grup, S.A. (through SICAV Amura Capital) acquired a 7.5% stake.
- On 5 February 2014, Fidelity International Limited (through Fidelity Funds SICAV) acquired a 3.4% stake.
- On 5 February 2014, Crédit Agricole, S.A. further reduced its stake to 4.9%.
- On 26 February 2014, Aguila Ltd (a company controlled by the Santo Domingo family) acquired a 3.0% stake.

In the light of the above, at the date of authorisation for issue of the consolidated financial statements the Parent's significant shareholders are:

	% shareholding		
	Direct	Indirect	Total
Name or corporate name of shareholder			
Inmobiliaria Espacio, S.A.	-	20.279%	20.279%
Coral Partners (Lux) S.A.R.L.	14.733%	-	14.733%
Mora Banc Grup, S.A.	-	7.567%	7.567%
Crédit Agricole, S.A.	-	4.999%	4.999%
The Goldman Sachs Group, Inc.	-	4.944%	4.944%
Fidelity International Limited	-	3.385%	3.385%
Aguila Ltd	-	3.005%	3.005%

31 December 2012

	% shareholding (*)		
	Direct	Indirect	Total
Name or corporate name of the shareholder			
Commerzbank, A.G.	0.007%	19.977%	19.984%
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 2012.

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 21 June 2011, at a General Meeting of the shareholders of the Parent, authorisation was given for the Board of Directors to increase share capital 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.

As disclosed in Note 5, the Parent has issued warrants convertible into shares of Inmobiliaria Colonial, S.A. in the amount of 298,333 thousand euros as security for bank borrowings taken on by Asentia Project, S.L.U. and Abix Service S.L.U.

Legal reserve

Under the Spanish Corporate Enterprises Act, 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of share capital.

The legal reserve may 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 may be used only to offset losses, and only if no other sufficient reserves are available.

Voluntary reserves

The Parent has set aside voluntary reserves of 1,078,439 thousand euros, 47,948 thousand euros of which are not freely available according to the shareholders' resolutions passed at the General Meeting held on 21 June 2011.

In addition, on 21 January 2014, the Parent's shareholders in General Meeting authorised the Board of Directors to decrease share capital by 169,439 thousand euros to increase restricted voluntary reserves by reducing the nominal value of all shares from 1 euro to 0.25 euros per share, and to increase share capital by an amount of up to 1,000,000 euros, as explained in Note 2.g.

On 17 February 2014, the Parent recorded the capital reduction referred to above in the Barcelona Companies Register (Note 27).

Valuation adjustments recognised in equity - financial instruments

This heading of the consolidated statement of financial position records the sum of gains and losses arising from changes in the fair value of derivative financial instruments classified as cash flow hedges (Note 16).

The changes in this heading are as follows:

	Thousands of euros	
	31 December 2013	31 December 2012
Opening balance	(1,008)	(1,936)
Changes in the fair value of hedges in the period	25,005	928
	6,844	-
Transfer to reserves	(49,199)	-
Closing balance	**(18,358)**	**(1,008)**

During 2013, the amount recorded under "Valuation adjustments recognised in equity" in respect of gains and losses accumulated on derivative instruments in prior years was transferred to "Consolidated reserves" in the consolidated statement of financial position.

Parent treasury shares

At 31 December 2013 and 2012, the Colonial Group held 1,710,000 of the Parent's treasury shares, representing 0.757% of its share capital and with a carrying amount of 38,280 thousand euros.

During 2013, the Parent neither acquired nor sold any treasury shares. All of the shares are held by the Parent in order to cover the long-term remuneration plan described in Note 22.

SFL shares

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

	31 December 2013	31 December 2012
No. of shares	439,531	441,250
Carrying amount (€ ‘000)	21,665	21,767
% of equity	0.94%	0.95%

In 2013, the subsidiary SFL acquired 110,577 shares for a total amount of 4,278 thousand euros and sold 112,296 shares at a cost of 4,323 thousand euros, recognising a gain of 5 thousand euros.

Some of SFL’s shares are held to cover three stock option plans with different maturity dates and strike prices (Note 22).

At 31 December 2013, the published net asset value of SFL was 46.7 euros per share.

Non-controlling interests

The non-controlling interests heading within Group equity reflects the value of minority shareholdings in fully consolidated Group companies. “Profit/(loss) attributable to non-controlling interests” in the accompanying consolidated statement of comprehensive income represents the minority shareholders’ share of these companies’ earnings for the year.

The movement in this item 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 2011	**21,041**	**996,207**	**20,513**	**1,037,761**
Profit/(loss) for the period	(1,637)	148,085	(11,855)	**134,593**
Dividends and other	(1,205)	(47,672)	(26)	**(48,903)**
Changes in the scope of consolidation (Note 2.f)	-	94,062	-	**94,062**
Financial instruments	18	2,106	-	**2,124**
Balance at 31 December 2012	**18,217**	**1,192,788**	**8,632**	**1,219,637**
Profit/(loss) for the period	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**	**1,268,808**	**(13,816)**	**1,272,765**

The breakdown of the items included in "Dividends and other" at 31 December 2013 and 2012 is as follows:

	Thousands of euros	
	31 December 2013	31 December 2012
Dividend paid by the SFL subgroup to non-controlling interests	(45,346	(45,029)
Dividend paid by Washington Plaza to non-controlling interests	(3,107)	(1,411)
Dividend paid by Torre Marenostrum to non-controlling interests	(631)	(1,205)
Other	818	(1,258)
Total	**(48,266)**	**(48,903)**

Other equity instruments: Convertible bonds

As part of the 14 September 2008 debt restructuring agreement, the Parent issued bonds convertible into Parent shares totalling 1,310,797 thousand euros and corresponding to 13,107,965 convertible bonds maturing five years and six months from the issue date. At 31 December 2013, following the conversions detailed in the section titled "Share capital" of this Note, 15,184 bonds had yet to be converted.

The breakdown of bondholders of the free conversion tranche and interest accrued at 31 December 2013 and 2012, is detailed below.

Free conversion tranche	Number of bonds pending conversion	Value of bonds (thousands of euros)	Accrued interest (thousands of euros)
31 December 2013	15,184	2,009	1
31 December 2012	15,245	1,928	1

Conversion of all outstanding bonds would result in the issuance of 80,398 new Parent shares (Note 5).

On 17 January 2013, the Parent redeemed 61 bonds, giving rise to the issue of 307 new shares with a nominal value of 1 euro each plus a share premium of 24 euros per share.

On 30 December 2013, the Parent executed a notarial instrument formally recording the increase in the nominal value of the bonds as a result of the capitalisation of interest accrued during the last interest period. The increase amounted to 5.83 euros per bond, bringing the nominal value per bond to 132.34 euros per share.

The last voluntary conversion period ended on 30 December 2013. The Parent has received requests for the conversion into shares of 358 convertible bonds. Such conversion will involve a capital increase carrying a share premium of 1 thousand euros, in the form of 1,890 newly issued shares, each having a nominal value of 0.25 euros and carrying a share premium of 24.75 euros. The capital increase was registered on 17 February 2014 (Note 27).

The bond issue will expire and the interest period of the issue come to an end on 14 March 2014. At that point, the bonds will be mandatorily converted into Parent shares.

15. Bank borrowings and other financial liabilities

At 31 December 2013 and 2012, the breakdown by maturity of “Interest-bearing loans and borrowings” 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	48,533	-	-	-	-	-	-	48,533
- Third parties	*28,798*	-	-	-	-	-	-	*28,798*
- Related parties (Note 23)	*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 23)	*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 23)	*728,531*	-	-	-	*9,050*	-	*9,050*	*737,581*
Finance lease assets (Note 9)	2,790	2,790	27,271	-	-	-	30,061	32,851
- Third parties	*2,790*	*2,790*	*27,271*	-	-	-	*30,061*	*32,851*
- Related parties (Note 23)	-	-	-	-	-	-	-	-
Interest	22,382	-	-	5	-	-	5	22,387
- Third parties	*13,723*	-	-	*5*	-	-	*5*	*13,728*
- Related parties (Note 23)	*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 16)	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 issuance	-	-	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**

	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	41,277	-	-	-	-	-	-	41,277
- Third parties	*23,624*	-	-	-	-	-	-	*23,624*
- Related parties (Note 23)	*17,653*	-	-	-	-	-	-	*17,653*
Loans	81,355	230,508	49,389	33,200	312,618	54,721	680,436	761,791
- Third parties	*37,957*	*227,733*	*46,437*	*30,071*	*309,489*	*22,250*	*635,980*	*673,937*
- Related parties (Note 23)	*43,398*	*2,775*	*2,952*	*3,129*	*3,129*	*32,471*	*44,456*	*87,854*
Subordinated debt	-	-	-	-	40,593	-	40,593	40,593
- Third parties	-	-	-	-	*40,593*	-	*40,593*	*40,593*
Syndicated loans	-	1,714,163	45,000	-	-	-	1,759,163	1,759,163
- Third parties	-	*295,170*	*36,643*	-	-	-	*331,813*	*331,813*
- Related parties (Note 23)	-	*1,418,993*	*8,357*	-	-	-	*1,427,350*	*1,427,350*
Finance lease assets (Note 9)	56,458	2,790	2,790	27,271	-	-	32,851	89,309
- Third parties	*43,041*	*2,790*	*2,790*	*27,271*	-	-	*32,851*	*75,892*
- Related parties (Note 23)	*13,417*	-	-	-	-	-	-	*13,417*
Interest	19,951				5		5	19,956
- Third parties	*4,469*	-	-	-	*5*	-	*5*	*4,474*
- Related parties (Note 23)	*15,482*	-	-	-	-	-	-	*15,482*
Debt arrangement expenses	(10,170)	(9,788)	(1,860)	(1,063)	(679)	(272)	(13,662)	(23,832)
- Third parties	*(10,170)*	*(9,788)*	*(1,860)*	*(1,063)*	*(679)*	*(272)*	*(13,662)*	*(23,832)*
Total bank borrowings	**188,871**	**1,937,673**	**95,319**	**59,408**	**352,537**	**54,449**	**2,499,386**	**2,688,257**
- Third parties	**98,921**	**515,905**	**84,010**	**56,279**	**349,408**	**21,978**	**1,027,580**	**1,126,501**
- Related parties	**89,950**	**1,421,768**	**11,309**	**3,129**	**3,129**	**32,471**	**1,471,806**	**1,561,756**
Other financial liabilities								
Current account with Washington Plaza	1,398	68,888	-	-	-	-	68,888	70,286
Market value of financial instruments (Note 16)	17,399	-	1,097	9,758	8,366	-	19,221	36,620
Other financial liabilities	380	-	-	-	-	-	-	380
Total other financial liabilities	**19,177**	**68,888**	**1,097**	**9,758**	**8,366**	**-**	**88,109**	**107,286**
Total bank borrowings and other financial liabilities	**208,048**	**2,006,561**	**96,416**	**69,166**	**360,903**	**54,449**	**2,587,495**	**2,795,543**
Bonds and similar securities issued								
SFL bond issuance	-	-	-	500,000	500,000	-	1,000,000	1,000,000
Interest	15,632	-	-	-	-	-	-	15,632
Arrangement expenses	(2,013)	(2,013)	(2,013)	(1,446)	(954)	-	(6,426)	(8,439)
Total bonds and similar securities issued	**13,619**	**(2,013)**	**(2,013)**	**498,554**	**499,046**	**-**	**993,574**	**1,007,193**
Total at 31 December 2012	**221,667**	**2,004,548**	**94,403**	**567,720**	**859,949**	**54,449**	**3,581,069**	**3,802,736**

The bank borrowings taken out by the Colonial Group were arranged at arm's length, so their carrying amount substantially approximates their fair value. The bonds issued by SFL, which are traded on the Euronext Paris exchange, had a market value of 1,065,370 thousand euros at 31 December 2013.

Syndicated loans

The breakdown of the Group's syndicated loans at 31 December 2013 and 2012 is as follows:

Thousands of euros	Maturity	31 December 2013		31 December 2012	
		Limit	Nominal amount drawn down	Limit	Nominal amount drawn down
Colonial syndicated loan					
Facility A – Tranche 1	December 2014	1.626.710	1.626.710	1.626.710	1.626.710
PIK penalti Tramo 1		-	61.409	-	-
Facility A – Tranche 2	December 2014	70.482	70.482	87.900	87.900
Facility A – Tranche 3 revolving facility (*)	December 2014	48.384	(439)	48.384	(447)
PIK penalti Tramo 3		-	1.161	-	-
Total Colonial syndicated loan		**1.745.576**	**1.759.323**	**1.762.994**	**1.714.163**
SFL syndicated loan					
BNP Paribas credit facility	July 2018	400.000	50.000	300.000	-
Natixis 2010 credit facility	December 2015	350.000	-	350.000	45.000
Total SFL syndicated loan		**750.000**	**50.000**	**650.000**	**45.000**
Total		**2.495.576**	**1.809.323**	**2.412.994**	**1.759.163**

(*) For the purpose of calculating the nominal value drawn down, the Parent presents the amount drawn down under Tranche 3, the revolving portion of Facility A, which comes to 31,916 thousand euros, less the amount on deposit in a restricted current account (31,194 thousand euros), which stands as security for the drawn amount. The difference, 722 thousand euros, comprises interest capitalised as an increase in the value of the debt, totalling 1,161 thousand euros, less 439 thousand euros of interest earned on the current account.

Parent syndicated loan

This is a financing arrangement, due 31 December 2014, for a total initial amount of 1,800,878 thousand euros, divided into three sub-tranches.

1. Tranche A1: Senior debt in the initial amount of 1,650,012 thousand euros, secured by: (i) a 1,409,808 mortgage on certain properties located in Spain (Note 9); (ii) a share pledge consisting of 51% of the shares of SFL owned by the Parent; (iii) security interests in deposits held by the Parent as a result of the sale proceeds of assets; and (iv) a share pledge consisting of the shares held by the Parent in the subsidiary Torre Marenostrum, S.L. At 31 December 2013, this tranche amounts to 1,688,119 thousand euros, including interest in the amount of 61,409 thousand euros capitalised as an increase in the value of the debt.

2. Tranche A2: an initial amount of 87,900 thousand euros of debt secured by a first-lien security interest in the Parent's 2.1% stake in SFL and 20 FCC shares, respectively. At 31 December 2013, this tranche has reduced to 70,482 thousand euros after partial repayment as a result of the disposal of FCC shares amounting to 17,418 thousand euros (Note 13).

3. Tranche A3: Revolving Tranche, with an initial limit of 62,966 thousand euros. At 31 December 2013, the limit on this tranche stood at 48,384 thousand euros, having been partly repaid in 2012 (14,582 thousand euros). At 31 December 2013, 31,916 thousand euros had been drawn down – including 1,161 thousand euros of interest capitalised as an increase in the value of the debt. 31,194 thousand euros of the proceeds of that drawdown were on deposit in a restricted current account to secure the syndicated loan.

Tranche A accrues interest at Euribor plus 175 basis points.

As set forth in the loan agreement and its later modifications, if by 30 June 2013 the Parent has not made early repayment of an accumulated amount equivalent to 18%, the additional spread to be applied on the amounts drawn down under tranches A1 and A3 will be 450 basis points, accruing as of 1 January 2013. In addition, if by 31 December 2013, the Parent has not made early repayment of an accumulated amount equivalent to 25%, the additional spread to be applied on the total amounts drawn down under tranches A1 and A3 will be 686 basis points, accruing as of 1 January 2014.

Consequently, and as the Parent had not made any early repayments of the accumulated amount referred to above, the additional finance cost of 450 basis points on top of the drawdowns on these tranches has been recognised in the amount of 76,115 thousand euros, involving the capitalisation of 62,570 thousand euros as an increase in the amount of the syndicated loan.

At the date of the authorisation for issue of these consolidated financial statements, the Parent is refinancing its debt as explained in Note 2.g.

Other commitments and restrictions pertaining to Colonial's syndicated loan

The Parent has also assumed the following commitments and restrictions, subject to the waivers provided for in the Syndicated Loan:

- The Parent may not declare or pay dividends, charges or other payouts, distribute any amounts against the share premium or pay any management, advisory or other fees to shareholders so long as its LTV remains above 50%.

- The Parent may not assume additional borrowings.

- The Parent undertakes not to allow a change of control at SFL.

- The Parent may not dispose of its assets, nor may it allow any form of additional encumbrance on them, with the exception of those specified in the Refinancing Agreement.

The Syndicated Loan to the Parent can be called in before maturity in the event of a change of control at the Parent.

Compliance with covenants

The Group's syndicated loans are required to comply with the following covenants, on a quarterly basis for the Parent and on a six-month basis for the subsidiary SFL:

	Ratios
Colonial syndicated loan	LTV ratio <=85%, understood as net debt / Property assets of the Parent plus the net asset value of the investments it holds for the rentals business DSCR (debt service coverage ratio) > 1, understood as recurring operating cash flow / debt service charge of the Parent
Natixis 2010 syndicated loan	LTV ratio <= 50% Interest coverage ratio >= 2 Secured debt/equity value <=20% Appraisal value of unmortgaged properties >=€2bn
BNP-Paribas 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 2013, the Parent Company and the subsidiary SFL are compliant with the covenants under their respective financing agreements loans.

Loans

At 31 December 2013 and 2012, in addition to the syndicated loan, the Group had the following mortgage loans, secured by certain investment properties and non-current assets held for sale associated with its rentals business:

	Thousands of euros			
	31 December 2013		31 December 2012	
	Mortgage debt	Market value of collateral	Mortgage debt	Market value of collateral
Investment property - rentals (Note 9)	534,017	1,030,228	643,960	1,274,984
Non-current assets held for sale (Note 25)	2,011	8,602	8,006	26,463
	536,028	**1,038,830**	**651,966**	**1,301,447**

The Parent has loans for a total amount of 215,765 thousand euros, 77,514 thousand euros of which is recognised under current borrowings at 31 December 2013. At the date of the authorisation for issue of these consolidated financial statements, the Parent is refinancing its debt as explained in Note 2.g.

Compliance with covenants

At 31 December 2013, the Colonial Group had four loans outstanding, for a total amount of 290,222 thousand euros (337,009 thousand euros at 31 December 2012), 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, except as disclosed below.

The financing agreement for the subsidiary Abix Service, S.L.U. stipulates that if the loan to value ratio exceeds 85% the company must pay down the loan until the ratio is compliant. Repayment may be made from the subsidiary's own revenue or, if this falls short, the rental proceeds of two buildings owned by the Parent. At 31 December 2013, the loan to value ratio had exceeded 85%. The amount lent by the Parent to its subsidiary Abix in this respect stood at 6,553 thousand euros.

Security and guarantees given

The Parent has given the following security and guarantees:

- The subsidiaries Asentia Project, S.L.U. and Abix Service, S.L.U. have bank borrowings secured by warrants convertible into shares of Inmobiliaria Colonial, S.A. up to a maximum of 275,000 thousand and 23,333 thousand euros, respectively, under certain conditions (Note 25).

- As indicated in Note 25, following the debt restructuring in the subsidiary Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U., the Parent discharged its obligation to contribute funds to cover the cash flow needs of the subsidiary in the event of deviations in that company's property development project.

- The Parent secured, with a second-lien charge on an asset in Madrid, for up to a limit of 40,000 thousand euros, debts of the subgroup headed by Asentia Project, S.L.U. in the amount of 54,993 thousand euros (Note 25), plus outstanding interest accrued of 8,377 thousand euros.

  On 19 December 2013, the Parent, Asentia Project, S.L.U. and Riofisa S.A.U. reached respective agreements with the financial institution to cancel these companies' debts secured by a guarantee from the Parent.

- Finally, at 31 December 2013, the Parent had granted to government bodies, customers and suppliers guarantees in the amount of 39,713 thousand euros, of which 21,799 thousand euros related to the bank guarantee provided in connection with the purchase of the the building located at Francisco Silvela, 42 in Madrid (Note 14). Other than this, the main guarantees were:

  - 5,484 thousand euros granted to secure obligations acquired by Asentia Project, S.L.U. The Parent and that 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 harm suffered 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 in that amount to secure the guarantees issued by the Parent.

Debt issuance (non-convertible bonds)

On 17 May 2011, SFL issued 500,000 thousand euros of non-convertible bonds (each with a nominal value of 100 thousand euros). The bonds, with initial maturity of five years, carry a fixed coupon of 4.625%, payable annually, with a final maturity of 25 May 2016.

In addition, on 28 November 2012, SFL issued 500,000 thousand euros of non-convertible bonds (each with a nominal value of 100 thousand euros). The bonds, with initial maturity of five years, carried a fixed coupon of 3.50%, payable annually, with a final maturity of 28 November 2017.

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

Interest accrued on these bonds, recognised in the consolidated statement of financial position at 31 December 2013, amounted to 15,632 thousand euros.

Finance leases

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

Lines of credit

The Group has lines of credit of up to 48,534 thousand euros, which at 31 December 2013 were fully drawn down. These credit facilities mature in the short term. At 31 December 2012, the balance of fully drawn-down lines of credit held by the Group totalled 41,277 thousand euros.

At 31 December 2013, the Group had a current account with the subsidiary SCI Washington which accrues interest at 3-month Euribor plus 60 basis points. The balance at that date was 71,994 thousand euros, plus 366 thousand euros for accrued interest (70,286 thousand euros at year-end 2012).

Cash and cash equivalents

At 31 December 2013 and 2012, amounts of 53,557 thousand and 69,017 thousand euros, respectively, were recognised under “Cash and cash equivalents”, of which 2,500 thousand, respectively, were pledged.

Arrangement costs and fees for loans and bond issues

At 31 December 2013 and 2012, the amounts recognised in the consolidated statement of comprehensive income in this connection totalled 13,374thousand and 10,834 thousand euros, respectively, chiefly including fees for arranging the syndicated loans and bond issues for the subsidiary Société Foncière Lyonnaise

Interest rate on borrowings

The average interest rate paid by the Group in 2013 on borrowings allocated to continuing operations was 3.43%, or 3.60% including accrued fees. The average spread over Euribor paid by the Group (including fees) in 2013 was 182 basis points, not including the 450 basis point penalty on the Parent's Syndicated Loan, referred to above. At 31 December 2013, accrued interest amounts to 22,387 thousand euros, of which 13,545 thousand euros correspond to the additional spread on capital drawn down in tranches A1 and A3, accrued as from 1 January 2013 and to be capitalised during 2013 as an increase in the nominal value of the syndicated loan, with no cash outflow in the short term. At 31 December 2012, accrued interest amounted to 35,588 thousand euros.

Bank borrowings classified as liabilities relating to assets held for sale (Note 25)

At 31 December 2013, all the bank borrowings associated with the group headed up by Asentia Project S.L.U., totalling 1,434,329 thousand euros, had been recognised in “Liabilities relating to assets held for sale” in the consolidated statement of financial position (Note 4.s). At 31 December 2012, these borrowings amounted to 1,506,192 thousand euros.

As a result, at 31 December 2013, the total balance of the Group's bank borrowings, including debts with lending institutions, non-convertible bonds, debt arrangement expenses, and capitalised interest, stood at 5,046,687 thousand euros (5,201,642 thousand euros at 31 December 2012).

Capital management: policy and targets

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 Group's overall strategy is to focus on markets and products that add value.

The Group's capital structure includes debt (loans and credit facilities), cash and cash equivalents, as disclosed in this note and equity (capital and reserves, Note 14).

The Corporate Unit is responsible for managing financial risk and reviews the Group's capital structure, its leverage (net debt/equity) and LTV ratios on a regular basis.

16. 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 1,000,000 thousand euros of bonds issued by the subsidiary SFL (Note 15). Therefore, 73% 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, the Group enters into interest rate hedges to hedge against potential fluctuations in financial 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 2013 and 2012, including financial instruments, on comprehensive income before allocation to non-controlling interests and the related tax effect and on Group equity.

31 December 2013

	Thousands of euros		
	Increase / (decrease)	Revenue / (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.

31 December 2012

	Thousands of euros		
	Increase / (decrease)	Revenue / (expense)	
+/- basis point change in interest rate	Impact on equity	Impact on comprehensive income	% change in recognised expense
-50bp	(10,212)	5,526	4.06%
-25bp	(5,123)	3,271	2.40%
+25bp	5,412	(3,484)	2.56%
+50bp	11,225	(7,104)	5.22%
+75bp	17,457	(10,795)	7.93%
+100bp	24,091	(14,637)	10.76%

For 2012, sensitivity to negative 75 and 100 basis point 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.

- Liquidity risk: in 2010, the Parent successfully refinanced its debt. The purpose of this agreement is to recapitalise the Parent, strengthen its long-term financial structure, ensure that it can service its debt and reduce its indebtedness. At the date of authorisation for issue of the financial statements the Parent is in the process of negotiating a prompt conclusion for the transactions referred to in Note 2.g so as to restructure its borrowings and become viable as a business.

- 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 next table itemises these derivatives and states their fair values at 31 December 2013 and 2012:

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 Frankfurt AG	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 at 31 December 2013					**1,693,454**	**(11,523)**
- Third parties					460,453	(9,486)
- Related parties (Note 23)					1,233,001	(2,037)

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	(394)
Vanilla swap	Parchamps	Natixis	0.8825%	2017	9,065	(146)
Vanilla swap	Pargal	Natixis	0.8825%	2017	28,150	(453)
Vanilla swap	Parhaus	Nord/LB	0.8825%	2017	24,525	(394)
Vanilla swap	Parchamps	Nord/LB	0.8825%	2017	9,065	(146)
Vanilla swap	Pargal	Nord/LB	0.8825%	2017	28,150	(453)
Vanilla swap	Parhaus	Dekabank	0.8825%	2017	24,525	(394)
Vanilla swap	Parchamps	Dekabank	0.8825%	2017	9,065	(146)
Vanilla swap	Pargal	Dekabank	0.8825%	2017	28,150	(453)
Vanilla swap	SFL	RBS	3.89%	2013	28,600	(896)
Vanilla swap	SFL	RBS	3.89%	2013	12,200	(382)
Vanilla swap	SFL	HSBC	2.172%	2016	50,000	(2,985)
Vanilla swap	SFL	HSBC	2.305%	2016	100,000	(6,781)
Vanilla swap	SFL	CM-CIC Marches	1.846%	2017	100,000	(6,017)
Collar	Colonial	Deutsche Bank	Floor (3.85%) Cap (4.45%)	2013	25,000	(461)
Vanilla swap	Colonial	Deutsche Bank	3.715%	2013	400,000	(13,673)
CAP	Colonial	Banco Popular	3.25%	2014	30,000	1
CAP	Colonial	CA-CIB	3.25%	2014	140,000	5
CAP	Colonial	CA-CIB	1.875%	2014	150,000	17
CAP	Colonial	Eurohypo	2.50%	2014	150,000	9
CAP	Colonial	RBS	1.875%	2014	150,000	17
CAP	Colonial	RBS	2.50%	2014	250,000	15
CAP	Colonial	RBS	3.25%	2014	140,000	5
CAP	Colonial	CaixaBank	2.50%	2014	100,000	6
CAP	Colonial	CaixaBank	3.25%	2014	140,000	5
CAP	Colonial	CaixaBank	3.25%	2014	50,000	2
CAP	Abix	CaixaBank	3.5%	2014	54,105	1
Vanilla swap	Torre Marenostrum	CaixaBank	3.85%	2015	29,965	(2,444)
Total fixed-to-floating hedges at 31 December 2012					**2,285,090**	**(36,535)**
- Third parties					860,220	(32,896)
- Related parties (Note 23)					1,424,870	(3,639)

During 2013, the subsidiary 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 19,017 thousand euros on the consolidated statement of comprehensive income at 31 December 2013, under "Finance costs".

In March 2013, the subsidiary Torre Marenostrum restructured its interest rate swap, reducing the fixed rate from 3.85% to 2.80% and extending the maturity until January 2024.

As part of the debt refinancing agreement between BBVA and Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U., Inmobiliaria Colonial and Asentia Project on 20 June 2013, the Parent assumed DUE 2009's contractual position under the hedging contract. The market value at the date of signature of the agreement was 11,787 thousand euros (Note 25).

At 31 December 2013, 93% of the notional of the Group's derivatives portfolio is in compliance with the terms of IFRS 39; consequently, the mark-to-market (MtM) differences between periods are recognised in equity.

At 31 December 2013, the accumulated impact on equity of derivative hedge accounting was a debit of 18,358 thousand euros, net of the tax effect and consolidation adjustments (at 31 December 2012, a debit of 1,008 thousand euros).

The impact for 2013 and 2012 of accounting for derivatives qualifying for hedge accounting on the consolidated statement of comprehensive income was a net finance cost of 18,448 thousand euros and 16,165 thousand euros, respectively (Note 21.g), corresponding primarily to the French subsidiary 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 2013.

At 31 December 2013, the net fair value of the derivatives gave rise to a financial liability of 11,523 thousand euros, including accrued interest payable of 391 thousand euros and 15 thousand euros in credit risk (Note 15). The fair value of derivatives at 31 December 2012 was 36,535 thousand euros.

At 31 December 2013, the notional amount for interest rate hedges was 1,693,454 thousand euros. Taking into account SFL bonds issues in the amount of 1,000,000 thousand euros, 75% of total debt is hedged or at fixed rates.

The effective hedging ratio at year-end 2013 (floating rate hedges) was 65% (72% in Spain and 38% 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.

17. Trade payables and other non-current liabilities

The breakdown of this heading by item and maturity is as follows:

	Thousands of euros			
	31 December 2013		31 December 2012	
	Current	Non-current	Current	Non-current
Trade and other payables	22,924	-	15,841	-
Advances	12,606	-	15,978	-
Payables for the purchase of properties and land	52,340	-	58,932	-
Guarantees and deposits received	1,515	23,468	1,515	22,696
Payable to Social Security	1,974	-	2,034	-
Deferred income	6,527	-	8,623	-
Other payables and current liabilities	3,335	175	3,613	150
Total	**101,221**	**23,643**	**106,536**	**22,846**

At 31 December 2013 and 2012, “Trade payables” on the consolidated statement of financial position included primarily the amounts pending payment by the Group for business-related purchases and costs associated with the property rental operating segment and the Corporate Unit.

At 31 December 2013, “Payables for the purchase of properties and land” related to borrowings for the acquisition of properties by the subsidiary SFL (Rue de Richelieu or Project Cardinal, and Quai Le Gallo, 46 or project In/Out), in the amount of 30,274 thousand euros, and to the amount outstanding on the Parent's acquisition of the Francisco Silvela property (Note 20) of 21,799 thousand euros.

“Advances” primarily reflects amounts paid upfront by tenants.

“Guarantees and deposits received" mainly includes deposits paid by tenants.

In keeping with additional provision three, “Disclosure requirements,” of *Ley 15/2010*, of 5 July, amending *Ley 3/2004*, a statute designed 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 outstanding to suppliers and trade creditors at the reporting date for the Colonial Group’s Spanish companies:

	Thousands of euros					
	Payments made and payments outstanding at year end					
	2013			2012		
	Amount	%	As a % of the total number of invoices	Amount	%	As a % of the total number of invoices
Paid within the legal deadline	17,702	54%	65%	15,042	55%	68%
Other	15,347	46%	35%	12,473	45%	32%
Total amounts paid in the year	33,049	**100%**	**100%**	27,515	**100%**	**100%**
Weighted average days past due – payments made after legal deadline	94			109		
Weighted average days past due – payments	34			34		
Amounts past due at the reporting date by more than the legally permitted term (*)(**)	3,035			2,089		

(*) *Ley 15/2010*, of 5 July, in transitional provision two, stipulates a gradual shortening in trade account payment terms to 60 days from 1 January 2013. The statute sets the payment deadline applicable for at 75 days for 2012.

(**) Does not include outstanding accounts payable for the purchase of real estate assets.

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).

The maximum legally permitted term applicable to the Colonial Group's Spanish companies in 2013 under *Ley 3/2004* on combating late payment in commercial transactions is 60 days.

The disclosures regarding balances payable outstanding at 31 December 2013 of discontinued operations are provided in Note 25.

As regards payments made by the Company after the legally permitted term, 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.

18. Provisions

Changes in "Provisions" for 2013 and 2012 in the accompanying consolidated statement of financial position 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 2011	**2,502**	**845**	**7,031**	**111**
Additions	396	240	-	205
Decreases	(1,930)	(46)	(7,000)	-
Balance at 31 December 2012	**968**	**1,039**	**31**	**316**
Additions	-	-	21	20,293
Decreases	(968)	(323)	-	-
Balance at 31 December 2013	**-**	**716**	**52**	**20,609**

Additions to current provisions come to 20,126 thousand euros, reflecting an estimate of miscellaneous costs relating to the process of restructuring the Parent's debt, as described in Note 2.g.

Provisions for employee benefits cover the retirement benefits and seniority bonuses of employees of the subsidiary SFL.

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

19. Tax matters

Inmobiliaria Colonial heads a group of companies filing consolidated tax returns since 1 January 2008. This consolidated tax group includes only subsidiaries incorporated in Spain in which the Parent owns at least 75%, either directly or indirectly (this threshold falls to 70% in the case of listed subsidiaries). In addition to the Parent, this consolidated tax group in 2012 and 2013 comprised: 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., Asentia Project, S.L.U., Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U., Abix Service, S.L.U., Acrostic Invest, S.L.U., and Riofisa Este, S.L.

Corporate income tax expense for the year is calculated based on taxable income for the year, which differs from consolidated profit/(loss) presented in the statement of comprehensive income, which 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 breakdown of tax receivables and payables on the accompanying consolidated statement of financial position is as follows:

	Thousands of euros			
	Tax receivables			
	Current		Non-current	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Tax refunds receivable	66	69	-	-
Deferred tax assets receivable	1,924	2,297	-	-
VAT deductible	19,005	16,451	-	-
Deferred tax assets	-	-	142,592	216,564
Total tax receivables	**20,995**	**18,817**	**142,592**	**216,564**

	Thousands of euros			
	Taxes payable			
	Current		Non-current	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Income tax payable	4,099	407	-	-
Other taxes payable	7,970	8,142	-	-
Exit tax payable (SFL Group)	1,717	1,968	9,107	1,717
VAT payable	830	1,232	-	-
Tax extensions	10,891	22,319	6,330	9,588
Deferred tax liabilities	-	-	169,339	225,859
Total taxes payable	**25,507**	**34,068**	**184,776**	**237,164**

Income tax

The breakdown of “Income tax expense” in the statement of comprehensive income for 2013 and 2012 is as follows:

	Thousands of euros	
	2013	2012
Corporate income tax	(18,214) (*)	(3,027)
Variation due to deferred and prepaid taxes tax credits and tax relief	(16,264)	(562,649)
Income tax expense	**(34,478)**	**(565,676)**
- from continuing operations	(34,817)	(528,778)
- from discontinued operations (Note 25)	339	(36,898)

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

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 income for France (SIIC 4 effect and adjustments to the tax base)	(120,181)	-	(120,181)	36,054
Effect of the adjustments to taxable income for Spanish companies and 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

2012

	Thousands of euros			
	Continuing operations	Discontinued operations	Total	Tax effect – at the 30% national rate (*)
Profit/(loss) before tax	(46,464)	(382,272)	(428,736)	128,621
Effect of the adjustments to taxable income for France (SIIC 4 effect and adjustments to the tax base)	(282,813)	-	(282,813)	84,844
Effect of the adjustments to taxable income for Spanish companies and uncapitalised tax credits generated in the year	326,050	407,669	733,719	(220,116)
Prior income tax expense (base)	**(3,227)**	**25,397**	**22,170**	**(6,651)**
Other				5,895
De-recognition of tax credit				(564,920)
Income tax expense				**(565,676)**

(*) (Expense) / Income

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

	Thousands of euros	
	2013	2012
Accounting profit/(loss) before tax (aggregate of individual expenses)	(592,926)	(734,629)
Permanent differences	(33,824)	(336,245)
Temporary differences	179,828	147,919
Aggregate taxable income/(tax loss) before use of unused tax losses	**(446,922)**	**(922,955)**
Application of unused tax losses	(49)	8,896
Aggregate taxable income (tax loss)	**(446,971)**	**(914,058)**
Recognised tax loss	2,214	12,214
Unrecognised taxable income/(tax loss)	(449,185)	(926,272)

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.

At 31 December 2012, 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 296,298 thousand euros, and a dividend received from this company by the Parent, giving rise to a permanent negative difference of 38,223 thousand euros.

The difference between taxes payable for the current year and previous years and taxes already paid or to be paid for those years is recorded under “Deferred tax assets” and “Deferred tax liabilities” in the consolidated statement of financial position.

Deferred tax assets

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

	Thousands of euros				
	Recognised as assets				
Deferred tax assets	31 December 2012	Additions	Retirements	Transfers	31 December 2013
Tax credits in respect of loss carryforwards	157,296	-	(15,237)	1,183	143,242
Fair value of financial instruments	7,471	-	(6,913)	-	558
Impairment of assets	51,797	-	(54,249)	1,244	(1,208)
	216,564	**-**	**(76,399)**	**2,427**	**142,592**

Tax assets in respect of loss carryforwards

Under prevailing legislation, losses from a given year can be used to offset taxable income during the following 18 years. Nonetheless, the final amounts against which the tax losses can be applied may vary as a result of tax audits scrutinising the years in which they arose. The consolidated statement of financial position at 31 December 2013 recognises tax credits in respect of tax loss carryforwards in the amount of 142,592 thousand euros in "Deferred tax assets" within non-current assets.

The following table shows the aggregate amounts of tax losses pending utilisation by the Spanish companies along with the last years for offset:

	Thousands of euros		
Year	At companies that make up the consolidated tax group	At other Group companies	Last year for offset
1995	-	822	2013
1997	-	295	2015
1999	-	1	2017
2000	12,979	1	2018
2001	5,470	-	2019
2002	1	16	2020
2003	141	336	2021
2004	38,516	113	2022
2005	38	552	2023
2006	25,215	110	2024
2007	356,280	2,185	2025
2008	1,291,596	4,672	2026
2009	974,354	9,806	2027
2010	806,801	5,718	2028
2011	490,356	10,526	2029
2012	875,430	28,164	2030
2013	402,506	49,037	2031
Total	**5,279,683**	**112,354**	

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 income 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. The following table reconciles the aggregate of the individual tax losses and the consolidated tax loss for 2013, 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	At other Group companies
Aggregate of the individual loss carryforwards	**5,279,683**	**112,354**
Adjustments for transactions among companies that make up the consolidated tax group	(789,983)	-
Adjustments for the offset of taxable income and tax loss carryforwards among companies that make up the consolidated tax group	(12,288)	-
Total tax loss carryforwards	**4,477,412**	**112,354**
Recognised as assets	477,472	4,442
Continuing operations	*477,472*	*4,442*
Discontinued operations	-	-
Not recognised as assets	3,999,940	107,912
Continuing operations	*3,036,228*	-
Discontinued operations	*963,712*	*107,912*

Utilisation of capitalised tax credits

Under prevailing legislation, losses from a given year can be used to offset taxable income during the following 18 years.

At 31 December 2012, the Parent's directors re-evaluated the business plan in light of the downturn in the property market that year, as well as 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 eighteen-year period, which were projected on the basis of the Parent's portfolio of rental properties at that time. 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. However, because of short-term market uncertainty and the need to follow the principle of prudence for the purpose of assessing the recoverability of tax credits, the business plan approved at year-end 2012 did not take into account the annual rotation of the Parent's current assets, the investment and capital-increase transactions, or a final rotation of 50% of the property portfolio. All these aspects were taken into account in the business plans used in prior years.

In accordance with the approved business plan, and in keeping with the principle of prudence in valuation, the Parent wrote down capitalised tax credits by 520 million euros at 31 December 2012.

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.

At 31 December 2013, the Parent's directors have re-evaluated the business plan. The sensitivity of the assumptions referred to above regarding the recoverability of deferred tax assets at 31 December 2013 is detailed in the following table:

	Millions of euros
Rentals (1% below those considered)	-
% occupancy (1% below that considered)	(3)

Tax credits for deductions

Prevailing legislation provides for a 12% deduction on gains obtained on the sale of certain items of property, plant and equipment, intangible assets and investments of 5% or greater in companies outside the tax group, so long as the gains are 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:

	Miles de Euros		
	2009	2010	2011
Profit to which tax credit applied for reinvestment	11.236	3.107	251
Reinvestment commitments	154.283	24.500	25.000
Reinvested by the Company	136.423	-	-

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 statutory timeframe. The terms for holding the amounts reinvested by the Company are as follows:

	Thousands of euros			
	2014	2015	2016	2017
Reinvested by the Company	32,672	70,438	5,613	27,606
Associated rent	3,723	5,956	216	1,009

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

The nature and amount of tax credits at 31 December 2013 unused due to a shortfall in taxable income, totalling 46,977 thousand euros, and the deadlines for their application, are set out below:

	Thousands of euros		
Nature of deduction	Year of origin	Amount	Last year for use
Double taxation tax credit	2006	7,544	2013
	2007	12,482	2014
	2008	8,612	2015
	2009	287	2016
	2010	273	2017
	2011	355	2018
	2012	333	2019
	2013	83	2020
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	
		46,977	

The breakdown of changes in deferred tax liabilities is provided below:

	Thousands of euros				
Deferred tax liabilities	31 December 2012	Additions	Retirements	Transfers	31 December 2013
Asset revaluations	146,889	13,346	(15,237)	(3,806)	141,192
Deferred non-cash contribution (Note 11)	49,923	-	(49,923)	-	-
SIIC – 4 (Note 4.m)	20,896	-	-	-	20,896
Deferral for reinvestment	8,151	-	(900)	-	7,251
	225,859	**13,346**	**(66,060)**	**(3,806)**	**169,339**

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 IFRS) and their tax basis (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.

Tax extensions

At 31 December 2013, the Parent has been granted the following extensions by the tax authorities:

- Permission to defer over five years the payment of 30,244 thousand euros related to the corporate income tax for 2007 of the absorbed subsidiary Subirats-Coslada Logística, S.L.U. (Note 1), granted in 2008. This debt is secured by mortgages against various properties of the subsidiary 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 the subsidiary 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 the payment of 8,508 thousand euros corresponding to the income tax for 2008 of the consolidated tax group headed by the Parent, granted in 2009. This debt is secured by a mortgage against land owned by the subsidiary Riofisa, S.A.U.

- Permission to defer over five years payment of a total of 14,844 thousand euros of stamp duty accrued following the termination and re-grant of the mortgage on all of the rental properties owned by the Parent in Spain, provided as collateral for the syndicated loan refinancing agreement (Note 15). 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 is secured by mortgages on various properties of the subsidiary Asentia Project, S.L.U.

- Permission to defer over five years the payment of 1,223 thousand euros corresponding to the income tax for 2010 of the consolidated tax group headed by the Parent, granted in January 2012. This debt is secured by a mortgage against a plot of land owned by the subsidiary Riofisa, S.A.U.

The maturity schedule for the deferred payments, excluding interest, at 31 December 2013 and 2012 is as follows:

31 December 2013

	Thousands of euros						
	Current	Non-current					Total
	1 year	2 years	3 years	4 years	5 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	2,441	407	-	-	-	407	2,848
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	**9,064**	**3,659**	**983**	**-**	**-**	**4,642**	**13,706**

31 December 2012

	Thousands of euros						
	Current	Non-current					Total
	1 year	2 years	3 years	4 years	5 years	Total non-current	
VAT	4,388	363	-	-	-	363	4,751
Stamp duty Catalonia	2,040	2,040	510	-	-	2,550	4,590
Stamp duty Madrid	2,442	2,442	407	-	-	2,849	5,291
Income tax 2007	7,068	-	-	-	-	-	7,068
Income tax 2008	2,478	1,540	-	-	-	1,540	4,018
Income tax 2010	57	342	369	369	31	1,111	1,168
Total	**18,473**	**6,727**	**1,286**	**369**	**31**	**8,413**	**26,886**

At 31 December 2013 and 2012, accrued interest on the above deferrals amounted to 3,515 thousand and 5,947 thousand euros, respectively.

In 2013 the tax authorities set off various refunds owed to Group companies for other taxes against the deferred liabilities discussed above.

Other tax issues

The tax audit of Inmobiliaria Colonial, S.A. (absorbed company, Note 1) for 1994 to 1997 in relation to corporate income tax, VAT and personal income tax withholdings ended in 2001. The Parent formally assented to assessments in the amount of 296 thousand euros, while the portion signed under protest amounts to 12.6 million euros, and basically relates to disputes over exempt reinvested income in calculations of corporate income tax. In 2011 and 2012, the Parent was notified of the rulings on the appeals lodged in respect of those disputed tax returns, in which the Supreme Court accepted the criteria followed by the Parent in terms of reinvestment exemptions.

At 31 December 2013, some SFL Group companies had tax audits in progress for various taxes for immaterial amounts. The Group does not expect material liabilities to arise as a result of these audits.

In 2011, the tax authorities initiated audits at merged companies Dehesa de Valme, S.L. and Entrenúcleos Desarrollo Inmobiliario, S.L. with a focus on the 2006 and 2007 returns. During 2013, the Parent formally assented to assessments to additional tax charges 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 audited companies.

During the second half of 2013, the Parent was notified of the start of a partial income tax audit for 2008, restricted to certain corporate transactions performed in said year.

The Group has the last four years open to review by the tax authorities for all applicable taxes in Spain and France. No additional material liability for the Group is expected to arise in the event of a new audit.

20. Contingent assets and liabilities

Guarantees extended to third parties

On 24 November 2004, an agreement was signed between Inmobiliaria Colonial, S.A. and Prédica for the sale by Inmobiliaria Colonial of 9.6% of SFL to Prédica. At 31 December 2009, Prédica held 5.09% of SFL's share capital. Under the terms of the shareholders' agreement, the Parent undertook to purchase the shares from Prédica, at Prédica's request, in the event of a waiver by SFL of the SIIC regime, delisting SFL's shares from the Paris stock exchange, or in the event of a significant restructuring of SFL's business. The purchase price will be the prevailing market price.

For its part, the SFL subgroup has shareholders' agreements with the following companies.

- Agreement with Prédica 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 with Prédica, a shareholder of the Parholding subgroup (Note 2.f), 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 actions for liability 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.

Contingent liabilities

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 (Note 17). Inmobiliaria Colonial S.A. has deposited a bank guarantee in court for the amount on which payment is pending. At the date of authorisation for issue of these consolidated financial statements, various appeals were pending; however, the advisors who are handling this matter believe that these appeals pose negligible risk to the Company.

Other contingencies

On 21 December 2007, the Parent entered a promise to purchase agreement with Grupo Monteverde for the acquisition of the equity of Proyecto Kopérnico 2007, S.L. The promise to purchase agreement stipulated an upfront cash payment of 80,000 thousand euros (Note 10), which Inmobiliaria Colonial, S.A. paid in December 2007, and the assumption by the Parent of certain rights and obligations vis-à-vis Eurohypo and Banco Madrid in the amount of 340,000 thousand euros, so long as this did not imply a higher outlay by Inmobiliaria Colonial, S.A. As a result, the total deal size was 420,000 thousand euros, which was equivalent to the market value of the properties owned by Proyecto Kopérnico 2007, S.L.

When it came to signing the purchase agreement proper, the Parent took the view that in keeping with the agreed terms it was not possible to do so without making a higher outlay. Therefore, the Parent sought to terminate the promise to purchase agreement. Grupo Monteverde refused to accept the termination and initiated court proceedings against the Parent (at Madrid's Court of First Instance No. 13). On 5 June 2011, the court issued a ruling partially upholding the suit brought by Grupo Monteverde and enjoining Inmobiliaria Colonial, S.A. to execute a notarial instrument for the purchase of the shares at issue and assume liability for various loans and guarantees, albeit only to the extent that so doing does not entail a higher outlay on the part of Inmobiliaria Colonial, S.A. Both parties have appealed against the decision before the Madrid appellate courts.

At 31 December 2012, the Parent maintained an impairment loss on the full 80,000 thousand euro down payment as a result of the fall in value of the assets owned by Proyecto Kopérnico 2007, S.L., based on the appraisal of an independent expert (Note 10).

In February 2013, the Parent sought a stay of proceedings due to ex-post lack of cause, as Proyecto Kopérnico's insolvency administrators had awarded that company's property to third parties. The motion was opposed by Monteverde.

On 25 March 2013, the Parent was informed of the ruling issued by the Provincial Court of Appeals closing the proceedings due to ex-post lack of cause, overturning the decision issued by the Court of First Instance and releasing Colonial from the claims filed against it and from bearing any costs. This decision became final.

In 2013, the Parent derecognised the amount of the down payment and the related impairment from the consolidated statement of financial position (Note 10).

21. Income and expenses

a) Revenue

Revenue comprises rental income from the Group's rental properties, which are mainly concentrated in the cities of Barcelona, Madrid and Paris. Revenue generated during the years ended 31 December 2013 and 2012 was 213,111 thousand and 225,293 thousand euros, respectively. The breakdown by geographic segment is as follows:

Rental business	Thousands of euros	
	2013	2012
Spain	63,796	75,091
France	149,315	150,202
	213,111	**225,293**

Revenue in 2012 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. These accruals increased revenue during the year ended 31 December 2013 by 2,138 thousand euros (by 7,614 thousand euros in the year ended 31 December 2012).

At 31 December 2013 and 2012, the total sum of minimum future lease collections corresponding to the Group's non-cancellable operating leases, on the basis of then-prevailing agreements, and without considering the impact of community expenses or future inflation-linked rent increases or contractually agreed rent increases, was as follows:

Minimum operating lease payments collectible	Thousands of euros	
	Nominal amount	
	31 December 2013	31 December 2012
Within one year	199,813	218,739
Spain	*55,914*	*66,735*
France	*143,899*	*152,004*
Between one and five years	467,325	523,362
Spain	*86,606*	*130,226*
France	*380,719*	*393,136*
After five years	130,348	185,407
Spain	*29,712*	*39,207*
France	*100,636*	*146,200*
Total	**797,486**	**927,507**
Spain	***172,232***	***236,168***
International	***625,254***	***691,339***

b) Other operating income

This heading reflects mainly property services rendered. This source of income totalled 4,095 thousand euros and 5,039 thousand euros at 31 December 2013 and 2012, respectively.

c) Employee benefits expense

The breakdown of this heading in the accompanying consolidated statement of comprehensive income is as follows:

	Thousands of euros	
	2013	2012
Wages and salaries	15,381	14,125
Social security costs	5,027	4,665
Other employee benefits expenses	(1,428)	2,338
Termination benefits	225	10
Internal reallocation to line of business	(416)	-
Total employee benefits	**18,789**	**21,137**
Spain	***5,011***	***7,838***
International	***13,778***	***13,299***

General Meeting"Other employee benefits expenses" in the table above include the cost accrued during the year under the Parent's long-term bonus scheme and SFL stock option plan detailed in Note 22. The consideration recognised in prior years for the long-term bonus scheme of 1,850 thousand euros was reversed in 2013, 175 thousand euros being recognised for the SFL stock option plan. In 2012, an amount of 1,921 thousand euros was booked for the cost of both plans combined.

Group headcount at 31 December 2013 and 2012, as well as the average headcount in 2013, employed in continuing operations, broken down by job category and gender:

	Employees				Average headcount, 2013	
	2013		2012			
	Men	Women	Men	Women	Men	Women
General and area managers	17	10	14	5	19	11
Technical graduates and middle managers	26	18	14	8	26	18
Clerical staff	13	59	33	81	14	61
Other	1	1	1	1	1	1
	57	**88**	**62**	**95**	**59**	**90**

Group headcount at 31 December 2013 and 2012, as well as the average headcount in 2013, employed in discontinued operations, broken down by job category and gender is as follows:

	Employees				Average headcount, 2013	
	2013		2012			
	Men	Women	Men	Women	Men	Women
General and area managers	23	11	22	6	25	12
Technical graduates and middle managers	34	22	22	12	33	22
Clerical staff	15	65	37	89	17	67
Other	1	2	2	3	1	2
	73	**100**	**83**	**110**	**76**	**103**

d) Other operating expenses

The breakdown of this heading in the accompanying consolidated statement of comprehensive income is as follows:

	Thousands of euros	
	2013	2012
External and other expenses	14,950	10,860
Taxes other than income tax	25,047	23,770
Total	**39,997**	**34,630**

e) Net change in impairment losses on trade receivables (Note 12)

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

	Thousands of euros	
	2013	2012
Opening balance	160,674	158,288
Net change	(4,070)	2,386
Closing balance	**156,604**	**160,674**

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 tenants whereby the amounts provided for in prior years could be reversed.

Impairments within “Impairment charges and net gains/(losses) on assets” in the consolidated statement of comprehensive income were as follows:

	Thousands of euros	
	2013	2012
Impairment of goodwill (Note 7)	-	(57,972)
Impairment of property for own use (Note 8)	(649)	(1,951)
Impairment charges and net gains/(losses) on assets	**(649)**	**(59,923)**

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

The following table breaks down Group gains/ (losses) from asset sales (Notes 9 and 25):

	Thousands of euros					
	Sale price		Costs to sell		Net gain/(loss) on sale	
	2013	2012	2013	2012	2013	2012
Spain	97,862	20,300	104,741	24,066	(6,879)	(3,766)
France	290,371	-	292,548	-	(2,177)	-
Total	**388,233**	**20,300**	**397,289**	**24,066**	**(9,056)**	**(3,766)**

The breakdown of changes in the fair value of investment properties in 2013 and 2012 is as follows:

	Thousands of euros	
	2013	2012
Change in fair value by statement of financial position heading		
Investment property (Note 9)	66,439	293
Non-current assets held for sale-		
Investment property (Note 25)	(29,009)	18,800
Changes in the fair value of investment properties recognised in the statement of comprehensive income	**37,430**	**19,093**

g) Finance income and cost

The breakdown of net finance cost in 2012 and 2013 is as follows:

	Thousands of euros	
	2013	2012
Finance income:		
Revenue from equity investments	5,263	827
Other interest and similar income	3,456	1,907
Income from financial derivatives (Note 16)	3,157	11,490
Capitalised borrowing costs (Notes 4.c and 4.s)	10,985	12,471
Share of profit/(loss) of equity-accounted investments (Note 10)	20,969	20,967
Total finance income	**43,830**	**47,662**
Finance cost:		
Interest and similar expense (*)	(214,118)	(148,400)
Expense on financial derivatives (Note 16)	(21,605)	(27,655)
Total finance cost	**(235,723)**	**(176,055)**
Impairment of financial assets (Note 13)	(107)	(20,621)
Net finance income (expense)	**(192,000)**	**(149,014)**

(*) At 31 December 2013, the figure includes 76,115 thousand for interest accrued upon application of the additional interest spread to the balances drawn down on tranches A1 and A3 of the Parent's syndicated loan (Note 15).

h) Related party transactions

The main related party transactions undertaken in 2013 and 2012 were as follows:

	Thousands of euros			
	2013		2012	
	Interest income (cost)	Building leases and other income	Interest income (cost)	Building leases and other income
HM Treasury(*)	(24,491)	-	(13,420)	-
Crédit Agricole	(27,299)	150	(16,081)	12,783
Commerzbank (**)	(2,980)	-	(10,133)	-
Coral Partners	(23,515)	-	(9,067)	-
La Caixa	(2,170)	5,471	(2,654)	2,685
Banco Popular	(65)	-	(73)	-
Gas Natural, SDG, S.A.	-	5,943	-	5,789
Total	**(80,520)**	**11,564**	**(51,428)**	**21,257**

(*) Includes transactions concluded with The Royal Bank of Scotland Group, PLC (controlled by HM Treasury) up to 5 November 2013, when that bank sold on its claims against the Parent to a third party.
(**) Includes transactions concluded with Hypotekenbank Frankfurt AG (controlled by Commerzbank) up to October 2013, when that entity disposed of its interest.

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 owners of the Parent	
	2013	2012	2013	2012	2013	2012
Inmobiliaria Colonial, S.A.	(240,461)	(863,662)	-	-	(240,461)	(863,662)
Torre Marenostrum, S.A.	347	(3,482)	(84)	1,637	263	(1,845)
SFL subgroup	182,695	299,453	(104,395)	(148,086)	78,301	151,367
Riofisa subgroup	(172,064)	(168,325)	22,447	11,856	(149,617)	(156,469)
Desarrollos Urbanísticos Entrenúcleos 2009 S.L.U.	(57,688)	(44,506)	-	-	(57,688)	(44,506)
Asentia Project, S.L.U.	(174,279)	(204,407)	-	-	(174,279)	(204,407)
Abix Service, S.L.U.	(2,426)	(7,549)	-	-	(2,426)	(7,549)
Asentia Invest, S.L.	-	(1)	-	-	-	(1)
Asentia Gestión, S.L.U.	-	(1)	-	-	-	(1)
Inmocaral Servicios, S.A.U.	(1,021)	(1,932)	-	-	(1,021)	(1,932)
Total	**(464,897)**	**(994,412)**	**(82,032)**	**(134,593)**	**(546,928)**	**(1,129,005)**

22. Stock option plans

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

On 30 June 2011, the Parent set up a long-term share-based payment scheme for the Chairman and the CEO of Inmobiliaria Colonial, S.A., as well as for the members of the Group's Executive Committee. The plan could be settled only in Parent shares between 15 and 30 January 2015.

Accrual of bonuses under this scheme was dependent on delivery of certain predefined metrics which are summarised below:

- Growth in net asset value (NAV) of the Parent above the arithmetic mean growth in NAV at certain listed property companies,
- Growth in recurring consolidated cash flow of at least 20%,
- Growth in the subsidiary SFL's NAV per share above the arithmetic mean growth in NAV at certain listed French property companies,
- Growth in the Parent's NAV per share of 100%, and
- Delivery of the core components of the Business Plan.

All the above metrics referred to the four-year period from 1 January 2011 to 1 January 2015. As this scheme was payable in Parent shares, the balancing entry for this expense was recognised directly in Group equity (Note 4.j).

The maximum number of shares to which the plan beneficiaries were entitled is set forth in the table below:

	Maximum no. of shares
Juan José Brugera Calvo	400,000
Pedro Viñolas Serra	600,000
Executive Committee	710,000
Total	**1,710,000**

The scheme also entailed a final adjustment such that the cash value of the shares delivered would in no event exceed 100% of the Parent's average share price in the course of April 2011, on the basis of the number of shares into which its share capital is divided following the share amalgamation resolution executed in 2011.

The scheme also envisaged an adjustment mechanism, at the recommendation of the Nomination and Remuneration Committee, in the event the Company took measures affecting the indicators (NAV, number of shares outstanding, etc.).

The plan was calculated based on the expected number of shares multiplied by the unit fair value of those shares. The expected number of shares was the total number of shares multiplied by the expected percentage of take-up in the grant. The resulting amount was charged on a straight-line basis over the grant period. This expected percentage of take-up was initially estimated at 50.00%.

The fair value of the shares granted was determined by the quoted price at the allocation date.

The Parent acquired 1,710,000 shares in order to cover, as appropriate, the remuneration stemming from the plan (Note 14).

At 31 December 2012, the Parent had recognised an expense in this connection under "Employee benefits expense - Other employee benefits expenses" in the consolidated statement of comprehensive income in the amount of 1,233 thousand euros. At 31 December 2013, the expected percentage take-up of these shares was reevaluated and, given the performance to date of the indicators established in the bonus plan, set at 0%, whereby the entire amount taken to the Parent's net equity of 1,850 thousand euros was fully reversed (Note 21.c).

At a General Meeting held on 21 January 2014, the shareholders of the Parent resolved to scrap the then present stock option plan and adopt a new one.

New long-term incentive plan linked to performance targets

At the General Meeting of 21 January 2014 the shareholders of the Parent established a long-term remuneration plan that will apply throughout the period 2015 to 2019 to the Chairman and the CEO of Inmobiliaria Colonial, S.A. and to members of the Executive Committee of the Group.

From 1 to 15 April in each of those 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 target metrics 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%.

If Colonial adopts a resolution that might have a material adverse effect on Colonial shares or that entails a change in the number of outstanding shares as a result of an alteration to their nominal value, at the proposal of the Nomination and Remuneration Committee the Board of Directors must make adjustments as necessary to ensure that the benefits under this share-based payment plan remain equivalent. Such adjustments must also be made in the event of a merger, takeover or spin-off. The adjustments must reflect generally accepted practices in the market for decisions such as the declaration of dividends, the exercise of existing warrants and other actions that might have a technical dilutive effect on "value per share".

In addition, the Board may resolve to wind up the plan early and deliver the maximum number of outstanding shares to each beneficiary if a "substantial liquidity event" occurs. A "substantial liquidity event" occurs if a takeover bid is authorised with the aim of acquiring the entirety of the share capital of Colonial, in the framework of which Colonial's creditors must waive any existing change of control clause, or if existing debt undergoes a significant refinancing. In this latter event, early liquidation of the plan will be subject to the approval of the Nomination and Remuneration Committee.

If a takeover bid is intended to delist Colonial and no change of control would occur, shares will not be delivered. Instead, an alternative and equivalent remuneration scheme must be devised based on replacing the planned distribution of shares with an equivalent distribution of cash. If after the delisting of Colonial a transaction occurs involving a change of control, in the framework of which Colonial's creditors must waive any existing change of control clause, or if existing debt undergoes a significant refinancing, the Board must wind up the plan early and pay out the maximum contemplated remuneration in cash, subject to the approval of the Nomination and Remuneration Committee.

If during the term of effect of this plan the Chairman or the CEO is unfairly dismissed or the shareholders in General Meeting decline to re-elect him or he is removed from office without reasonable cause, he will be entitled to early liquidation of the plan. The maximum number of shares pending allotment over the remaining years of the plan will be delivered, unless the unfair dismissal occurs in 2014 or 2015, in which event the officer so dismissed will be entitled to 50% of the maximum number of shares pending allotment, if dismissal takes place in 2014, or 66% if dismissal takes place in 2015.

The beneficiaries will forfeit any entitlement to such shares in the event of fair dismissal, termination with reasonable cause, or resignation on their own motion, and in events of breach of their contractual duties of confidentiality and non-competition. In these events, the beneficiaries will forfeit any rights over allotted shares.

Stock option plan on SFL shares

At 31 December 2013, SFL had three stock 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 stock option plans was set by reference to the average share price over a specific period.

	Purchase options (*)
Date of approval of stock option plan	13.03.2007
End of exercise period	13.03.2015
Strike price per share	60.11
Options at 31 December 2012	234,335
Options cancelled in 2013	(26,038)
Options not exercised at 31 December 2013	208,297

(*) SFL holds treasury shares in the amount needed to service the stock option plan (Note 14).

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

In addition, the subsidiary SFL has two bonus-share plans at 31 December 2013, the breakdown of which is:

	Plan 1		Plan 2
Meeting date	09.05.2011	09.05.2011	09.05.2011
Board of Directors date	16.02.2012	05.03.2013	16.02.2012
Exercise date, starting on	31.12.2014	31.12.2015	31.12.2013
% expected	70.83%	70.83%	70.83%
Target number	32,988	35,144	13,678
Expected number	23,366	24,892	9,688
Amount per share	€29.08	€31.65	€30.97
Estimated number at year end	22,386	23,995	9,688

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. The expected percentage is 70.83% for the plans of the subsidiary 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 2013, 570 thousand euros was recognised in the consolidated statement of comprehensive income relating to these bonus share plans.

23. Year-end balances with related parties and associates

At 31 December 2013, the Group had the following balances outstanding with related parties and associates:

Asset / (Liability) Company	Thousands of euros				
	Syndicated loans (Note 15)	Lines of credit received (Note 15)	Other loans received (Note 15)	Interest on borrowings (Note 15)	Net derivatives (Note 16)
Royal Bank of Scotland	-	-	-	-	2
Crédit Agricole	(372.728)	(19.735)	-	(4.348)	1
Coral Partners	(362.351)	-	-	(4.201)	-
La Caixa	(2.502)	-	(44.456)	(110)	(2.040)
TOTAL	**(737.581)**	**(19.735)**	**(44.456)**	**(8.659)**	**(2.037)**

At 31 December 2012, the Group had the following balances outstanding with related parties and associates:

Asset / (Liability) Company	Thousands of euros				
	Syndicated loans (Note 15)	Lines of credit received (Note 15)	Other loans received (Note 15)	Interest on borrowings (Note 15)	Net derivatives (Note 16)
HM Treasury	(359.660)	-	(40.800)	(3.921)	(1.241)
Crédit Agricole	(358.577)	(17.653)	(13.417)	(3.831)	22
Commerzbank	(359.943)	-	-	(3.919)	9
Coral Partners	(349.170)	-	-	(3.711)	-
La Caixa	-	-	(47.054)	(100)	(2.430)
Banco Popular	-	-	-	-	1
Total	**(1.427.350)**	**(17.653)**	**(101.271)**	**(15.482)**	**(3.639)**

24. Director and senior management compensation and other benefits

Compensation of Board members

In 2013, the Company recorded an expense of 2,702 thousand euros in relation to emoluments and salaries, incentives, attendance fees and compensation under the Articles of Association earned by former and 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 (*):	**1,072**	**150**	**1,222**
Per diem allowances:	**497**	**126**	**623**
Per diem allowances: Directors	465	90	555
Additional per diems for the Chairman	32	36	68
Fixed compensation:	**857**	**-**	**857**
Director remuneration	457	-	457
Additional remuneration for the Executive Committee	166	-	166
Additional remuneration for the Audit and Control Committee	106	-	106
Additional remuneration for the Nomination and Remuneration Committee	128	-	128
Total	**2,426**	**276**	**2,702**
Remuneration for executive directors:	1,387	222	1,609

(*) Includes the remuneration earned by the directors in carrying out senior management functions.

Director compensation accrued at 31 December 2012 was 2,340 thousand euros, with 1,024 thousand euros earned by executive directors, 411 thousand euros in per diems and 905 thousand euros in fixed remuneration, respectively.

At 31 December 2013 and 2012, the Parent had a civil liability insurance policy covering all of its directors, executives and staff, for a total of 545 thousand and 561 thousand euros, respectively. In 2009, the Parent took out an insurance policy on the convertible bonds (Note 14) maturing in five years at a cost of 382 thousand euros.

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 2013, 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 a General Meeting.

The Parent Company’s Board of Directors was made up of seven men at 31 December 2013 and of ten men at 31 December 2012.

In 2013, pursuant to Article 229 of the Spanish Corporate Enterprises Act, the following members of the Parent’s Board of Directors declared that they held equity interests in the share capital, or performed duties on the boards of directors, of the companies listed below, which engage in an activity that is identical, similar or complementary to the activity that constitutes the corporate purpose of Inmobiliaria Colonial, S.A. This list does not include companies owned by the directors, which in any event are not material in terms of the Group’s business volume.

Director	Company	Post or duties	% shareholding
Juan José Brugera Clavero	Société Foncière Lyonnaise, S.A.	Chairman of the Board	0.00%
Pedro Viñolas Serra	Société Foncière Lyonnaise, S.A.	Director	0.00%
	SIIC de Paris, S.A.	Director	0.00%
	Asentia Project, S.L.U.	Representative of the Sole Director (Inmobiliaria Colonial, S.A.)	0.00%
	Asentia Invest, S.L.U.	Representative of the Sole Director (Inmobiliaria Colonial, S.A.)	0.00%
	Abix Service, S.L.U.	Representative of the Sole Director (Inmobiliaria Colonial, S.A.)	0.00%
Carlos Fernández-Lerga Garralda	Société Foncière Lyonnaise, S.A.	Director	0.00%
Javier Iglesias de Ussel Ordís	None	None	-
Luis Maluquer Trepat	Société Foncière Lyonnaise, S.A.	Director	0.00%
Javier Faus Santasusana	None	None	-
HDA Conseil, represented by Henri d'Ambrières	None	None	-

On 17 June, 3 July, 29 July, 25 November and 28 November 2013, the Directors Jean-Luc Ransac (proprietary, representing Crédit Agricole), Carlos Gramunt Suárez (proprietary, representing La Caixa), José Maria Sagardoy Llonis (proprietary, representing Banco Popular), Alberto Ibáñez González (proprietary, representing HM Treasury) and Alain Chetrit (proprietary, representing Colony) tendered their resignations, respectively. On 26 September 2013, a new proprietary director was appointed: HDA Conseil, S.A.R.L., Represented by Henri d'Ambrières.

In addition, the Directors have not carried out, nor are they currently carrying out, for their own account or for the account of others, any activities that are identical, similar or complementary to the activity that constitutes the corporate purpose of the Group companies, nor have they carried out during the year any transactions with Group companies outside the ordinary course of their business or on terms other than arm's-length.

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. Up until 31 December 2013 the senior management team was made up of two men and two women. In the fourth quarter of 2013, one member of the senior management of the Parent took on a senior management role at the subsidiary Asentia Project, S.L.U.; therefore, at 31 December 2013, the Parent's senior management team comprised one man and two women.

In 2013 and 2012, the senior management team earned 874 thousand euros and 977 thousand euros, respectively, in wages and salaries.

At 31 December 2013, one member of the senior management team had signed a golden parachute clause, triggered in the event of termination under certain circumstances or change of control, while two members of the senior management team had signed golden parachute clauses, triggered in the event of termination under certain circumstances or change of control, at 31 December 2012.

Contingent bonus: "bank borrowings restructuring agreement"

On 27 June 2013, at the proposal of the Nomination and Remuneration Committee, the Board of Directors resolved that a contingent bonus of up to 4,000 thousand euros may be paid to the members of the Executive Committee of Colonial. The bonus is subject to Colonial achieving a restructuring of its syndicated bank debt, which falls due on 31 December 2014 (Note 15).

Based on a report to be submitted by the Nomination and Remuneration Committee, the Board of Directors will set the terms and conditions of the contingent bonus, its precise amount and its apportionment among members of the Executive Committee – specifically, the amounts that would be allocated to the Chairman and the CEO in their capacities as executive directors. Any payout of this contingent bonus to its prospective beneficiaries must be supported by a prior report produced by the Nomination and Remuneration Committee. The contingent bonus will not be treated as any part of the beneficiaries' remuneration giving rise to entitlements or indemnities.

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

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

The movements under this heading in the years ended 31 December 2013 and 2012 were as follows:

	Thousands of euros		
	Investment property (Note 4.c)	**Assets of the Asentia subgroup**	**Total**
Balance at 31 December 2011	**145,242**	**1,719,943**	**1,865,185**
Additions	337	-	337
Retirements or decreases	(22,826)	(483,001)	(505,827)
Transfers	245,311	-	245,311
Impairment (Note 21.f)	18,800	-	18,800
Balance at 31 December 2012	**386,864**	**1,236,942**	**1,623,806**
Additions	1,974	-	1,974
Retirements or decreases	(386,710)	(448,431)	(835,141)
Transfers	81,118	-	81,118
Impairment (Note 21.f)	(29,009)	-	(29,009)
Balance at 31 December 2013	**54,237**	**788,511**	**842,748**

At 31 December 2013, the Group had taken out mortgages in an aggregate amount of 451,527 thousand euros against assets held for sale, with a net carrying amount of 373,155 thousand euros (Note 15). At 31 December 2012, these mortgages totalled 557,904 thousand euros and were held against assets held for sale with a net carrying amount of 581,578 thousand euros.

Investment property (Note 9)-

All the reclassified properties meet the requirements for classification as non-current assets held for sale.

Changes in 2013

The main transactions carried out in 2013 were as follows:

- The subsidiary SFL sold the Hotel Mandarin Oriental for 290,000 thousand euros, giving rise to a loss on the disposal of 2,209 thousand euros.

- Under the agreements reached with one of the Group's financial institutions, the Parent sold a property in Madrid for 73,000 thousand euros (Note 15), incurring a loss of 4,070 thousand euros. This asset has been transferred from "Investment property" (Note 9).

- As part of the process of restructuring the debt of the subsidiary Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U., the Parent sold the property at Samontà 19-21 for a total of 17,662 thousand euros, incurring a loss 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 during 2013 (Note 9).

Changes in 2012

The main transactions carried out in 2012 were as follows:

- The Parent sold six properties belonging to the Centro Norte complex (Madrid) for a total price of 20,300 thousand euros, giving rise to a loss on the disposal of 2,527 thousand euros.

- At 31 December 2012, the subsidiary SFL had signed an agreement to sell the asset Hotel Mandarin Oriental for 290,000 thousand euros. At year end, the sale agreement was subject to compliance with certain conditions precedent. On 13 February 2013, the property was sold for the amount indicated above.

  The property was transferred from “Investment property” to “Non-current assets held for sale” in the corresponding consolidated statement of financial position.

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

As indicated in Note 1, the Parent completed the subsidiarisation of its land and development business in 2010, as stipulated in the Framework Refinancing Agreement, structured so as to limit financial recourse to Inmobiliaria Colonial. Against this backdrop, and since the Parent plans to sell all the assets and liabilities of the Asentia Project subgroup en bloc and in a single transaction (Note 4.s), the Parent has presented all the assets and liabilities, current and non-current, in “Non-current assets held for sale” and “Liabilities relating to assets held for sale”.

As set out in Note 27 to the consolidated financial statements, on 25 February 2014 a final agreement was reached involving the exit of Asentia Project, S.L. from the scope of consolidation of Inmobiliaria Colonial, S.A.

The following table breaks down these two headings (“Non-current assets held for sale” and “Liabilities relating to assets held for sale”) in the accompanying consolidated statement of financial position, as well as “Loss from discontinued operations” as per the consolidated statement of comprehensive income corresponding to the subgroup headed by the subsidiary Asentia Project.

Consolidated statement of financial position, breakdown of non-current assets held for sale and associated liabilities

ASSETS	31 December 2013	31 December 2012	LIABILITIES	31 December 2013	31 December 2012
Intangible assets	8	10			
P,P&E held under concession and concession work in progress	79,966	105,899			
Property, plant and equipment	176	305	Bank borrowings and other financial liabilities	24,372	964,384
Investment property	32,082	42,578	Deferred tax liabilities	10,904	12,620
Non-current financial assets	14,798	14,988	Provisions, non-current	11,967	21,020
Non-current deferred tax assets	2,951	2,641	Other non-current liabilities	3,487	11,532
NON-CURRENT ASSETS	**129,981**	**166,421**	**NON-CURRENT LIABILITIES**	**50,730**	**1,009,556**
Inventories	618,695	1,004,262			
Trade and other receivables	7,533	18,241			
Financial assets	2,352	2,223	Bank borrowings and other financial liabilities	1,423,297	560,140
Tax receivables	1,462	1,723	Trade payables	59,367	80,461
Cash and cash equivalents	28,468	44,072	Taxes payable	4,464	5,634
CURRENT ASSETS	**658,530**	**1,070,521**	**CURRENT LIABILITIES**	**1,487,128**	**646,235**
TOTAL ASSETS	**788,511**	**1,236,942**	**TOTAL EQUITY AND LIABILITIES**	**1,537,858**	**1,655,791**

Equity situation at Asentia

At 31 December 2013, *Real Decreto Ley 3/2013* – a statutory instrument that had effectively granted a grace period up until 31 December 2013 for the equity calculation rules determining whether or not a company must be wound up – had not been renewed in its effect by the Government. Therefore, the subsidiary Asentia Project, S.L.U. was in a position that attracts mandatory dissolution under Article 363 of the Corporate Enterprises Act.

In response to this situation, the Sole Director, on the assumption that the special economic measures under *Royal Decree-Law 3/2013,* of 22 February, will be discontinued, and in the context of the negotiations which the Sole Director intends to initiate with the major lender banks, has asked those banks to give an undertaking that, if that statutory instrument is in fact discontinued, then the Term Loan Facility should be converted into a profit-sharing loan to the extent needed to return Asentia Project, S.L.U. to the financial position required for continuing operation under Article 363 of the Corporate Enterprises Act. In addition, in accordance with the syndicated financing agreement, the Sole Director of Asentia Project, S.L.U. may request that certain components of the syndicated loan – up to an amount of 176,750 thousand euros – be converted into new profit-sharing loans. This conversion would be mandatory for the creditors, and must be carried out no later than 45 days after the request date.

Equity situation of the Riofisa subgroup:

Moreover, at the date of authorisation for issue of these consolidated financial statements, the subsidiary Riofisa, S.A.U. and several companies within its subgroup were in a financial position triggering statutory dissolution. Against this background, the following factors mitigate uncertainty:

- Given the financial position of Riofisa, S.A.U., on the assumption that the special economic measures under *Royal Decree-Law 3/2013, of 22 February,* will be discontinued and in the context of the negotiations with the major lender banks discussed below, those banks have been asked to give an undertaking that, if that statutory instrument is in fact discontinued, then the loan reported as a "Framework refinancing agreement" should be converted into a profit-sharing loan to the extent needed for Riofisa, S.A.U. to escape statutory dissolution under Article 363 of the Corporate Enterprises Act.

- In addition, against the background of the debt renegotiation process discussed below, Riofisa, S.A.U. has proposed to the banks a range of *datio in solutum* settlements agreed discharge of a debt by giving something differing in character from that of the original debt so as to reduce the financial obligations falling due in the following 12 months; such a solution would involve revenue for the Riofisa subgroup in the form of the difference between the nominal value of the debts and the carrying amount of the assets given up.

- In addition, Riofisa S.A.U. has asked the lender banks to treat a number of requirements under the 2011 refinancing agreement for the term of effect of that agreement to be extended as having been satisfied so as to defer the final maturity of the bilateral contracts to 30 December 2016.

The main changes in 2013 and 2012 to the various headings of the consolidated statement of financial position for the groups of assets and liabilities classified as held for sale are itemised below:

Property, plant and equipment held under concession

This heading includes assets held under concession arrangements and leased by the Necsa subsidiary. These assets generated rental income of 9,336 thousand euros and 9,943 thousand euros, respectively, in 2013 and 2012.

Investment property

This heading includes a number of properties leased by the Riofisa subgroup. These assets generated rental income of 1,070 thousand and 1,027 thousand euros, respectively, in 2013 and 2012.

Inventories

The movements under this heading in the years ended 31 December 2013 and 2012 were as follows:

	Thousands of euros				
	Undeveloped land and lots	Completed developments	Advances	Impairment	**Total**
Balance at 31 December 2011	**2,305,196**	**162,143**	**6,490**	**(1,085,154)**	**1,388,675**
Additions and provisions	4,552	-	-	(126,836)	(122,284)
Decreases or derecognitions	(871)	(11,295)	-	10,199	(1,967)
Transfers	(791)	-	(12)	803	-
Balance at 31 December 2012	**2,271,387**	**117,535**	**4,655**	**(1,389,314)**	**1,004,262**
Additions and provisions	6,719	-	-	(330,475)	(323,756)
Decreases or derecognitions	(78,839)	(27,821)	-	44,848	(61,812)
Transfers	917	-	(917)	-	-
Balance at 31 December 2013	**2,200,184**	**89,714**	**3,738**	**(1,674,941)**	**618,695**

In 2013, the subsidiary Asentia Project sold 84 units (59 apartments and 25 commercial premises), 119 parking spaces and 18 storage rooms, giving rise to the derecognition of 19,306 thousand euros in total. In addition, the Riofisa subgroup sold 38 units (commercial premises and offices) and 54 parking spaces, resulting in the derecognition of 5,804 thousand euros, as well as land in Palma de Mallorca, resulting in the derecognition of 9,000 thousand euros.

Furthermore, as part of the agreement reached with one of the Group's financial institutions (Note 15), a plot of land in Seville owned by Asentia was sold, resulting in the derecognition of 27,543 thousand euros.

In 2012, the subsidiary Asentia Project sold 115 units (110 apartments and 5 commercial premises), 157 parking spaces and 71 storage rooms, giving rise to the derecognition of 33,793 thousand euros in total. In addition, the Riofisa subgroup sold 38 units (commercial premises and offices) and 42 parking spaces, resulting in the derecognition of 5,199 thousand euros.

At 31 December 2013, the Group had recognised an accumulated impairment loss of 1,674,941 thousand euros to reduce the carrying amount of certain zoned land, lots, completed developments and advances to their net realisable value, which was established in accordance with the criteria outlined in Note 4.s.

The breakdown of the accumulated impairment charge is itemised in the table below:

	Thousands of euros					
	31 December 2013			31 December 2012		
	Cost	Net impairment charges	Net amount	Cost	Net impairment charges	Net amount
Zoned land and lots	2,200,184	(1,638,894)	561,290	2,271,387	(1,366,693)	904,694
Completed developments	89,714	(36,047)	53,667	117,535	(22,621)	94,913
Advances	3,738	-	3,738	4,655	-	4,655
Total	**2,293,636**	**(1,674,941)**	**618,695**	**2,393,577**	**(1,389,314)**	**1,004,262**

In 29 November 2013, the subsidiary Parque Aqua Mágica, S.L. and Unibail Rodamco Palma, S.L. signed a deed of sale-purchase through which Parque Aqua Mágica, S.L. transfers to the Unibail Rodamco Palma, S.L., subject to certain conditions precedent, the three plots of land it owns in Ses Fontanelles (Palma de Mallorca).

The plots owned by Parque Aqua Mágica, S.L. will be transferred at a maximum price of 38,500 thousand euros, calculated as the sum of a base price of 20,000 thousand euros, a variable price of 16,000 thousand euros and a complementary bonus of 2,500 thousand euros. Transfer of ownership of the plots is subject to fulfilment of the conditions precedent within a maximum of three years. Parque Aqua Mágica, S.L. will be entitled to collect the base price as the conditions precedent are met, while collection of the variable price and complementary bonus will be determined at various agreed-upon deadlines according to whether the numerous urban development and marketing milestones have been achieved.

Bank borrowings and other financial liabilities

At 31 December 2013 and 2012, the breakdown by maturity of the bank borrowings and other financial liabilities presented under “Liabilities relating to assets held for sale” in the consolidated statement of financial position is as follows:

31 December 2013	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	30,626	32,239	-	-	-	-	32,239	62,865
Third parties	*30,626*	*9,840*	-	-	-	-	*9,840*	*40,466*
Related parties	-	*22,399*	-	-	-	-	*22,399*	*22,399*
Loans	253,674	57,469	92,650	158	168	7,280	157,725	411,399
Third parties	*188,603*	*129*	*92,650*	*158*	*168*	*7,280*	*100,385*	*288,988*
Related parties	*65,071*	*57,340*	-	-	-	-	*57,340*	*122,411*
Syndicated loans (Note 15)	939,842	-	-	-	-	-	-	939,842
Third parties	*597,724*	-	-	-	-	-	-	*597,724*
Related parties	*342,118*	-	-	-	-	-	-	*342,118*
Interest	18,667	1,556	-	-	-	-	1,556	20,223
Third parties	*17,570*	-	-	-	-	-	-	*17,570*
Related parties	*1,097*	*1,556*	-	-	-	-	*1,556*	*2,653*
Debt arrangement expenses	-	-	-	-	-	-	-	-
Total bank borrowings	**1,242,809**	**91,264**	**92,650**	**158**	**168**	**7,280**	**191,520**	**1,434,329**
Third parties	***834,523***	***9,969***	***92,650***	***158***	***168***	***7,280***	***110,225***	***944,748***
Related parties	***408,286***	***81,295***	-	-	-	-	***81,295***	***489,581***
Concession debt	276	276	276	276	276	3,730	4,834	5,110
Other financial liabilities	425	-	-	-	-	7,805	7,805	8,230
Total other financial liabilities	**701**	**276**	**276**	**276**	**276**	**11,535**	**12,639**	**13,340**
Total at 31 December 2013	**1,243,510**	**91,540**	**92,926**	**434**	**444**	**18,815**	**204,159**	**1,447,669**

31 December 2012	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	753	38,844	29,483	-	-	-	68,327	69,080
Third parties	*678*	38,844	*9,840*	-	-	-	48,684	*49,362*
Related parties	*75*	-	*19,643*	-	-	-	*19,643*	*19,718*
Loans	69,087	189,777	102,480	149	158	159,441	452,005	521,092
Third parties	*11,407*	*179,797*	*45,140*	*149*	*158*	*159,441*	*384,685*	*396,092*
Related parties	*57,680*	9,980	*57,340*	-	-	-	*67,320*	*125,000*
Syndicated loans	-	896,855	-	-	-	-	896,855	896,855
Third parties	-	234,348	-	-	-	-	*234,348*	*234,348*
Related parties	-	662,507	-	-	-	-	*662,507*	*662,507*
Interest	3,802	7,600	8,171	-	-	-	15,771	19,573
Third parties	*3,702*	*6,971*	*6,695*	-	-	-	*13,666*	*17,368*
Related parties	*100*	629	*1,476*	-	-	-	2,105	*2,205*
Debt arrangement expenses	(78)	(78)	(78)	(78)	(78)	(18)	(330)	(408)
Total bank borrowings	**73,564**	**1,132,998**	**140,056**	**71**	**80**	**159,423**	**1,432,628**	**1,506,192**
Concession debt	276	276	276	276	277	3,785	4,890	5,166
Other financial liabilities	34	-	-	-	-	-	-	34
Derivative financial instruments	3,476	-	-	-	-	9,656	9,656	13,132
Total other financial liabilities	**3,786**	**276**	**276**	**276**	**277**	**13,441**	**14,546**	**18,332**
Total at 31 December 2012	**77,350**	**1,133,274**	**140,332**	**347**	**357**	**172,864**	**1,447,174**	**1,524,524**

In the accompanying statement of financial position for discontinued operations, bank borrowings are classified as current or non-current using the criteria set out in Note 4.s.

During 2013 and as part of the agreement reached with one of the Group's financial institutions (Note 15), a mortgage loan taken out by the subsidiary Asentia Project and a credit facility granted to the subsidiary Riofisa totalling 53,377 thousand euros and 9,993 thousand euros, respectively, were cancelled.

Asentia Project syndicated loan

In 2010 Asentia Project increased capital by means of a contribution of the Parent’s land and development business (Note 1), along with 840,895 thousand euros of bank borrowings, including 795,000 thousand euros of syndicated debt.

The breakdown of the syndicated loan by tranche at 31 December 2013 and 2012 is provided in the next table:

Thousands of euros	31 December 2013		31 December 2012	
	Opening nominal amount	Nominal amount drawn down	Opening nominal amount	Nominal amount drawn down
Asentia Project syndicated loan				
Term loan facility	520,000	501,020	520,000	501,020
Convertible facility	275,000	163,881	275,000	275,000
Interest included within the nominal value of the borrowings ("PIK")	-	12,870	-	60,031
Profit participating loan ("PIK")(*)	-	262,071	-	60,804
Total	**795,000**	**939,842**	**795,000**	**896,855**

(*) In accordance with the loan contract, the interest accrued and capitalised from the conversion date to 31 December 2013, in the amount of 14,289 thousand euros, is included in the nominal value of the profit participating loan.

The syndicated loan of Asentia Project, S.L.U. falls due on 31 December 2014 and accrues capitalisable interest at the Euribor rate plus 400 basis points. The nominal value of the profit participating loan currently accrues 6.5% interest annually. In both cases the interest is included in the nominal value of the borrowing or profit participating loan.

The Asentia Project, S.L.U. syndicated loan comprises two tranches:

i. The Term Loan Facility for 520,000 thousand euros, secured by: (i) a mortgage commitment on the Asentia Project properties; (ii) security interests in Asentia Project's equity; and (iii) security interests in all of Riofisa's equity. At 31 December 2013 and 2012, the outstanding balance of this tranche stood at 605,788 thousand euros and 579,399 thousand euros, respectively, net of the amount repaid (18,980 thousand euros), including capitalised interest in the amount of 104,768 thousand euros and 78,379 thousand euros (including interest on the profit participating loan).

ii. The Convertible Facility for 275,000 thousand euros, secured by warrants convertible into shares of the Parent (Note 15) at the election of the lenders: (i) at maturity; (ii) in the event of breach of covenants; or (iii) as a result of the sale of a significant percentage of assets by Asentia Project should the cash proceeds obtained be insufficient fully to repay the Convertible Facility. The exercise price of the warrants is the higher of: i) 12 euros per share; ii) the nominal value of the Parent's shares; or iii) the arithmetic mean of the Company's share price at end of day for the 30 trading sessions prior to notification of the warrant exercise. At 31 December 2013 and 2012, the outstanding balance of this tranche stood at 334,054 thousand and 317,456 thousand euros, respectively, including capitalised interest of 59,054 thousand and 42,456 thousand euros (including interest on the profit participating loan).

iii. The Syndicated Loan for Asentia Project envisions the conversion of the Convertible Facility and of interest capitalised within the nominal value of the debt under both tranches into participating loans in the event the Parent incurs statutory dissolution due to losses incurred. Borrowings will be converted into participating loans in the amount necessary to re-establish a balanced capital structure at Asentia Project, S.L.U. In this instance, the warrants would cover: (i) the outstanding balance of the Convertible Facility; and (ii) the outstanding balance of the profit participating loan up to a maximum of 275,000 thousand euros.

   This conversion is mandatory, and must be carried out no later than 45 days after the request date.

At 31 December 2013, the Sole Director of Asentia Project, S.L.U. , in accordance with the syndicated financing agreement, gave effect to a range of conversions – dated 14 September 2012, 22 March 2013 and 13 December 2013 – for a combined amount of 247,782 thousand euros. Interest on the profit-sharing loan – in the amount of 14,289 thousand euros – was capitalised as an increase in the profit-sharing loan amount.

At 31 December 2013, *Royal Decree-Law 3/2013, of 22 February* – a statutory instrument that had effectively granted a grace period up until 31 December 2013 for the equity calculation rules determining whether or not a company must be wound up – had not been renewed by the Government. Therefore, the subsidiary Asentia Project, S.L.U. was in a state that attracts mandatory dissolution under Article 363 of the Corporate Enterprises Act.

Given this situation, in accordance with the syndicated financing agreement, the Sole Director of Asentia Project, S.L.U. has requested that certain components of the syndicated loan – up to an amount of 176,750 thousand euros – be converted into new profit-sharing loans.

The syndicated loan sets forth that, beginning at certain leverage ratios (loan to value or net loan to value), the equity loans may, in turn, be converted, at the election of lenders, into shares of Asentia Project, S.L.U. In the event that the banks exercise this option, Inmobiliaria Colonial, S.A.'s stake in Asentia Project would be diluted, possibly causing this company to be removed from the Colonial Group's scope of consolidation (Notes 2.e and 27).

The entire Convertible Facility has been treated as a liability for accounting purposes and no related equity instrument has been recognised. The terms of the loan (maturity and interest rate) are market terms, which it is why the total amount of the borrowings is considered to approximate that of a debt instrument.

At 31 December 2013 and 2012, Asentia Project had recognised 163,822 thousand euros and 120,835 thousand euros of interest on the syndicated loan, respectively. This interest has been capitalised in full as an increase in the nominal value of the loan.

The syndicated financing of Asentia Project, S.L.U. requires compliance with certain financial ratios starting at 31 December 2010, as well as with other financial reporting conditions. The financial ratios, which are calculated based on the separate financial statements of the subsidiary Asentia Project, S.L.U., are as follows:

Situation	Effect	Mandatory/Non-mandatory
If Asentia Project, S.L.U. is forced to wind up in accordance with prevailing company law	Conversion of the interest and the Convertible Facility tranche into a participating loan in the amount necessary to avoid wind-up	Mandatory for the creditor banks
If LTV is > 100% or *Net Loan to Value > 110%*	Conversion of debt into company equity	Optional for the creditor banks
If the net Loan to Value ratio is > 95%	Conversion of a mortgage commitment into mortgage	Optional for the creditor banks
In the event that the participating loan is not settled in full at maturity or in the event of a sale of the assets of Asentia Project S.L.U.	Conversion of the warrants on the shares of Inmobiliaria Colonial, S.A. issued to secure the Convertible Facility	Optional for the creditor banks

Notes:

1. Loan to Value is defined as total debt divided by the gross asset value of Asentia plus the net asset value of Riofisa.
2. Net Loan to Value is defined as net total debt, without considering the participating loans, divided by the gross asset value of Asentia plus the net asset value of Riofisa.
3. Gross asset value is defined as the sum of the values of the properties in the operating segment contributed based on the appraisal dated 31 December 2009 for the first two years and on an updated appraisal thereafter.
4. The net asset value of Riofisa is defined as the sum of the values of the properties of Riofisa based on the appraisal dated 31 December 2009 for the first two years and on an updated appraisal thereafter, less total Riofisa borrowings. This figure is then multiplied by Asentia's effective percentage shareholding in Riofisa.

The syndicated loan, which is without recourse to Inmobiliaria Colonial, S.A. other than in respect of warrants, can be called in before maturity in the event of a change of control at the Parent.

Riofisa S.A.U. borrowings

In 2011, the subsidiary Riofisa completed an agreement with its bank lenders for the restructuring of debt, which has been extended to a long-term loan (36 months) repayable in December 2014 and January 2015. The agreement also contemplates the possibility of extending the maturity of over 90% of the refinanced debt for another 24 months provided that certain milestones are reached, mainly delivery of urban planning related milestones.

The refinancing agreement is part of the Riofisa viability plan which has been certified by an independent expert appointed by the Companies Register.

At 31 December 2013 the subsidiary Riofisa S.A.U.'s bank borrowings stood at 251,956 thousand euros, plus 15,767 thousand euros interest due. 229,221 thousand euros of that debt was mortgage-secured.

One of the loans extended to Riofisa, S.A.U. is a syndicated loan with BBVA and Burlington Loan Management Limited for a total amount of 113,885 thousand euros plus 9,711 thousand euros of accrued interest at 31 December 2013. This loan is secured on land owned by the company, two plots of land owned by the subsidiary

Riofisa Development E.O.O.D and a plot owned by the subsidiary Riofisa Espacios Inmobiliarios, S.L.U., as well as by the pledge of ownership interests in several Group companies (37% of Riofisa Internacional, S.L., 100% of Riofisa Development E.O.O.D and 100% of Riofisa Espacios Inmobiliarios, S.L.U.)

The syndicated loan contract referred to above stipulates that the Loan to Value ratio (LTV) must be less than or equal to 85% throughout the lifetime of the contract. In the event this condition is not met and LTV exceeds 90%, Riofisa S.A.U. and the guarantors undertake voluntarily to make partial repayment of the financing or provide additional guarantees to the satisfaction of the majority of the lenders, so that LTV may return to the level stipulated in the loan contract. At the date of authorisation for issue of the present consolidated financial statements, the stipulated LTV ratio has not been met. Conversations are underway between Riofisa S.A.U. and the agent bank in order to remedy the situation.

Necsa, Nuevos Espacios Comerciales, S.A. loan

At 31 December 2013, the subsidiary Necsa classified 58,978 thousand euros to the short term in connection with the syndicated loan received from the Royal Bank of Scotland (Agent Bank) and Unicaja Banco, the new maturity date of which is 19 March 2014. Necsa has held several conversations with the lenders in order to refinance or definitively cancel this debt. On 19 November 2012, in order to fully repay the loan at maturity, Necsa granted authority to sell in respect of the lease contract for the Vialia Málaga shopping centre, together with the related management contract held by Riofisa, S.A.U. As a result of the sale mandate, at a meeting on 4 October 2013 the Board of Directors approved acceptance of the offer presented by a consortium of investors. The offer received values the transfer of the lease contract for the Vialia Málaga shopping centre at 62,000 thousand euros, while transfer costs associated with cancelling the different contractual commitments amount to 6,667 thousand euros.

At the date of authorisation for issue of the present consolidated financial statements, negotiations to complete the aforesaid sale continue, while the exclusivity period remains in force and a due diligence is underway.

Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U. loan

On 20 June 2013, Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U. (hereinafter, DUE 2009), together with Asentia Project, S.L.U. and Inmobiliaria Colonial, S.A. (the Parent) reached an agreement with BBVA, the lender to DUE 2009, entailing, inter alia, the cancellation of debt owned by DUE 2009 totalling 74,325 thousand euros (including the valuation of an interest rate swap), that at the refinancing date amounted to 166,420 thousand euros, as well as the elimination of any obligation and recourse existing for the Parent, except the guarantees referred to in Note 15. Recourse would be limited to Asentia Project, S.L.U. in the form of the pledge of equity interests it holds in DUE 2009.

The partial cancellation of the debt by DUE 2009, as well as payment of interest accrued to that date a total of 75,000 thousand euros was made with funds obtained through:

- Subordinated financing granted to DUE 2009 by the Parent, for 64,528 thousand euros, via:

    - Assumption by the Parent of DUE 2009's contractual position under the hedging contract, with a value of approximately 11,787 thousand euros (Note 16)

    - Transfer to BBVA of 143,765 shares held by the Parent in the subsidiary SFL, for 6,513 thousand euros (Note 2.f)

    - Transfer to BBVA of the property owned by the Parent and located at calle Samontá in Sant Joan Despí (Barcelona), with a transaction value of 17,662 thousand euros

- Grant by BBVA of additional financing to the Parent, for 28,566 thousand euros, of which 18,000 thousand euros are collateralised by a building in Barcelona, and 10,566 thousand euros are mandatorily convertible into Parent shares, subject to certain conditions

- The subsidiary Asentia Project, S.L.U. subscribed for a share capital increase in DUE 2009 through the monetary contribution of 10,472 thousand euros. These funds were obtained through the sale to BBVA of several homes owned by Asentia Project, S.L.U.

In addition, BBVA has extended financing to the Parent as follows:

- Up to a maximum of 20,000 thousand euros to be used to finance DUE 2009, in order to bear the costs incurred on pending urban development works in the UE1 (Note 15). These funds will be drawn down by the Parent as DUE presents certificates proving that the urban development work has been completed.

- 10,000 thousand euros for financing restoration works in the Travessera de Gràcia i Amigó properties owned by the Parent (Note 9) and payment of associated interest.

After the transactions referred to above had been concluded, the refinancing was agreed of the loan and credit facility outstanding in DUE 2009 after formalising the foregoing operations, with a total amount of 92,095 thousand euros. The loan accrues contingent interest, payable, as applicable, in the event all properties are sold to a third party and the sales price is effectively collected by DUE 2009. In addition, the BBVA mortgage credit facility received by DUE 2009, with a limit of 23,100 thousand euros, was set at 9,633 thousand euros. The credit facility is to be used exclusively for financing UE2 works, other urban management operating expenses and costs, and to fund the minimum operating cash flow, all in accordance with Entrenúcleos' business plan. The credit facility bears interest at a fixed rate of 3%. Maturity of both loans is set in a single payment at 31 December 2016. These loans are secured, *inter alia*, by first, second and third-lien mortgages on UE2 plots in the Dos Hermanas (Seville) SEN-1 Partial Development Plan.

The agreement also stipulates the grant to BBVA of a purchase option on land owned by DUE 2009 in the UE2, which BBVA may exercise between 1 January 2014 and the loan maturity date.

Furthermore, on 20 December 2012, the subsidiary DUE 2009 and the local authority of Dos Hermanas (Seville) signed a new urban planning and management agreement to reschedule the execution of the urban development work and to define a new stage plan in line with the current circumstances and needs of the municipal government. This agreement was definitively approved by the local authority on 26 April 2013. Under the terms agreed, the obligations to be incurred on the part of the Group were decreased by 28,699 thousand euros (recognised under "Cost of sales" in the consolidated statement of comprehensive income for discontinued operations at 31 December 2012), for a total of 13,433 thousand euros at 31 December 2013.

Finally, at 31 December 2013 the Asentia subgroup had granted guarantees to government bodies, customers and suppliers in the amount of 25,878 thousand euros.

Cash and cash equivalents

At 31 December 2013 and 2012, cash and cash equivalents stood at 28,468 thousand euros and 44,072 thousand euros, of which 7,747 thousand euros and 19,957 thousand euros was pledged. At 31 December 2013, “Cash and cash equivalents” includes a current account of the subsidiary Asentia Project, S.L.U. with an unrestricted amount of 10,148 thousand euros. This amount is unrestricted unless the triggers for early repayment established in the loan agreement are engaged, in which case the amount would be pledged in favour of the bank syndicate.

Trade payables and other non-current liabilities

The breakdown of this heading by item and maturity is as follows:

	Thousands of euros			
	31 December 2013		31 December 2012	
	Current	Non-current	Current	Non-current
Trade and other payables	55,396	-	64,394	-
Advances	1,091	-	13,187	-
Payables for the purchase of properties and land	2,880	-	2,880	-
Guarantees and deposits received	-	1,256	-	2,959
Other liabilities	-	2,231	-	8,573
Total	**59,367**	**3,487**	**80,461**	**11,532**

"Trade and other payables" mainly includes the amounts outstanding for trade purchases and related costs and the amounts of the prepayments received from customers before the sale of the properties or sites is recognised.

It also includes the expense for planning pending on sites disposed of 2007 in the town of Dos Hermanas (Seville) as established in the purchase agreements for these sites. At 31 December 2013, costs to be incurred amounted to 13,433 thousand euros (14,800 thousand euros in 2012). The Parent's directors believe actual costs incurred will not deviate significantly from the provision recognised.

Contingent liabilities

There are demarcation proceedings affecting virtually all the properties acquired in the past by the Parent (Grupo Inmocaral, S.A. at that time) on a stretch of the coast of Almeria in respect of which legal proceedings are ongoing before the Judicial Review Division of the National Court, which has issued a decision upholding the application for judicial review and declaring the Ministerial Order approving the demarcation void on formal grounds (expiry of the administrative case file); however the decision is not yet final. Until the legal proceedings culminate in the form of a final decision, it is not possible to ascertain whether the land will ultimately remain within that demarcation. At 31 December 2013, this asset continued to be recognised under "Inventories" of discontinued operations at a recoverable amount of 3,700 thousand euros, which corresponds to the appraisal value provided by an independent third party expert.

The Parent began legal proceedings against the seller of a piece of land located in Roquetas de Mar (Almeria) seeking an order against the defendant seller to return the surplus amount paid, determined to be 74,101 thousand euros, plus statutory interest, as the amount of housing finally zoned in the definitive urban development plan was substantially less than that assumed and stipulated. On 21 September 2012, both the Parent and the seller formally relinquished their claims in these proceedings. On 24 September 2012, the court handed down its decision, in which it deemed that all of the parties had desisted from the actions filed. No award of costs was made. As a result of the agreement reached, the Parent is not required to pay the amount pending, i.e., 41,199 thousand euros, which was recognised as a reduction in the value of the asset, and the seller is not required to pay the Parent the amounts claimed by the latter, i.e., 74,101 thousand euros.

Consolidated statement of comprehensive income breakdown for discontinued operations

	Thousands of euros	
	2013	2012
Revenue	43,026	38,305
Cost of sales (*)	(62,237)	(11,297)
Other income	2,135	616
Employee benefits expense	(3,593)	(4,512)
Other operating expenses	(10,130)	(12,562)
Depreciation and amortisation expense	(1,451)	(3,180)
Net change in provisions	5,474	(1,406)
Operating profit/(loss)	**(26,776)**	**5,964**
Change in fair value of investment property	(7,946)	(9,820)
Net loss on change in value of assets and net impairment charges	(356,220)	(316,376)
Finance income	56,920	6,860
Finance cost	(71,369)	(68,900)
Losses before taxes	**(405,391)**	**(382,272)**
Income tax expense/(receivable) (Note 19)	339	(36,898)
Consolidated net loss	**(405,052)**	**(419,170)**
- attributable to equity holders of the Parent (Note 5)	(382,604)	(407,314)
- attributable to non-controlling interests (Note 14)	(22,448)	(11,856)
Basic and diluted loss per share:	**(1,706)**	**(1,811)**
- from discontinued operations (Note 5)	(1,706)	(1,811)

(*) "Cost of sales" in 2012 included the positive impact (28,699 thousand euros) of a decrease in the obligations expected to be incurred by the Group under the new urban planning agreement reached with the local authority of Dos Hermanas.

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

	Thousands of euros	
	2013	2012
Impairment of assets held under concession	(25,620)	(2,666)
Impairment of inventories	(330,475)	(323,070)
Rotation retirements	(125)	
Impairment of the investment in Asentia Project (Note 4.s)	-	9,360
Impairment charges and net gains/(losses) on assets	**(356,220)**	**(316,376)**

The breakdown of net finance expense in 2013 and 2012 is as follows:

	Thousands of euros	
	2013	2012
Finance income:		
Other interest and similar income	53,589	443
Capitalised borrowing costs (Note 4.s)	3,331	6,417
Total finance income	**56,920**	**6,860**
Finance cost:		
Interest and similar expense	(71,369)	(68,900)
Total finance cost	**(71,369)**	**(68,900)**
Net finance expense	**(14,449)**	**(62,040)**

During 2013 and as part of the agreement reached with one of the Group's financial institutions (Note 15), a mortgage loan taken out by the subsidiary Asentia Project and a credit facility granted to the subsidiary Riofisa were cancelled when the financial institution forgave part of the debt. This gave rise to finance income of 52,926 thousand euros.

Finance costs include the effect of recycling the amounts recognised in equity for changes in the value of DUE's derivative 6,844 thousand euros to the consolidated statement of comprehensive income (Note 14).

Transactions carried out in 2013 and 2012 in respect of discontinued operations with Group companies, associates and shareholders were as follows:

	Thousands of euros	
	2013	2012
	Interest income/ (cost)	Interest income/ (cost) (*)
The Royal Bank of Scotland Group, PLC (*)	(9,287)	(7,277)
Calyon, Sucursal en España	(7,862)	(7,179)
Commezrbank (**)	(6,620)	(7,379)
Coral Partners (Lux), S.A.R.L.	(7,840)	(7,159)
Caja de Ahorros y Pensiones de Barcelona	(178)	-
Banco Popular Español, S.A.	(2,761)	14
	(34,548)	**(28,980)**

(*) Includes transactions concluded with The Royal Bank of Scotland Group, PLC up to 5 November 2013, when that bank sold on its claims against the Parent to a third party.

(**) Includes transactions concluded with Commerzbank up to October 2013, when that entity disposed of its interest.

26. Auditors' fees

Fees incurred for auditing services in 2013 and 2012 provided to the various companies composing the Colonial Group by the principal auditor and other auditors are set forth below:

	Thousands of euros	
	Principal auditor	Other auditors
2013 -		
Audit services	901	348
Audit-related services	21	-
Non-audit services	186	7
Total 2013	**1,108**	**355**
2012 -		
Audit services	871	355
Audit-related services	15	-
Non-audit services	201	75
Total 2012	**1,087**	**430**

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.

27. Events after the end of the reporting period

The following events occurred between the reporting date and the authorisation for issue of these consolidated financial statements:

- On 25 February 2014, the company Asentia Project, S.L.U. increased its share capital by 13 thousand euros by issuing 12,800 shares, each having a nominal value of 1 euro. The capital increase was fully accommodated by offsetting claims held by 3 lender banks of the syndicated loan owed by Asentia Project, S.L.U.

  As a result of that capital increase, Inmobiliaria Colonial, S.A. – which had so far been the sole shareholder – had its stake decreased to 18.99%.

  On that same day, a new board of directors was appointed; one of its four members represents Inmobiliaria Colonial, S.A.

  These circumstances mean that the Parent no longer has a controlling interest in Asentia Project, S.L.U.; that company and its subsidiaries (the Asentia group) accordingly fall outside the scope of consolidation of the group headed by Inmobiliaria Colonial, S.A. This satisfies one of the conditions required for the Board of Directors of the Parent to give effect to the capital increase of 1,000 million euros adopted under item 3 of the agenda of the General Meeting of 21 January 2014, as explained in Note 2.g.

- On 21 January 2014, the Parent's shareholders in General Meeting authorised the Board of Directors to decrease share capital by 169,439 thousand euros to increase restricted voluntary reserves by reducing the nominal value of all shares from 1 euro to 0.25 euros per share, as explained in Note 2.g. On 17 February 2014, the capital reduction referred to above was entered in the Barcelona Companies Register.

- The last voluntary conversion period for bonds convertible into shares of the Parent ended on 30 December 2013 (Note 14). The Parent has received requests for the conversion of 358 convertible bonds. Such conversion will involve a capital increase carrying share premium of 1 thousand euros, in the form of 1,890 newly issued shares, each having a nominal value of 0.25 euros and carrying a share premium of 24.75 euros. On 17 February 2014, the capital increase referred to above was entered in the Companies Register (Note 14).

The bond issue will expire and the interest period of the issue come to an end on 14 March 2014. At that point, the bonds will be mandatorily converted into Parent shares.

28. Explanation added for translation to English

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group (see Note 2). 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
Fully consolidated companies

At 31 December 2013 and 2012, fully consolidated subsidiaries and related information are as follows:

	% shareholding					
	Direct		Indirect		Shareholder	Line of business
	31.12.13	31.12.12	31.12.13	31.12.12		
Torre Marenostrum, S.L. Avda. Diagonal 532 08006 Barcelona (Spain)	55%	55%	-	-		Real State
Asentia Project, S.L.U. Avda. Diagonal 532 08006 Barcelona (Spain)	100%	100%	-	-		Real State
Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U. Avda. Diagonal 532 08006 Barcelona (Spain)	-	-	100%	100%	Asentia Project, S.L.U.	Real State
Asentia Invest, S.L.U. Avda. Diagonal 532 08006 Barcelona (Spain)	-	-	-	-		Real State
Asentia Gestión, S.L.U. Avda. Diagonal 532 08006 Barcelona (Spain)	100%	100%	-	-		Real State
Abix Service, S.L.U. Avda. Diagonal 532 08006 Barcelona (Spain)	100%	100%	-	-		Real State
Inmocaral Servicios, S.A.U. Paseo de la Castellana, 52 Madrid (Spain)	-	-	100%	100%	Asentia Project, S.L.U.	Real State
Société Foncière Lyonnaise, S.A. (SFL) 40, rue Washington 75008 Paris (France)	53.14%	53.45%	-	-		Real State
Segpim, S.A. 40, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Sales of property and rendering of services
Locaparis, SAS 40, rue Washington 75008 Paris (France)	-	-	100%	100%	Segpim	Sales of property and rendering of services
Maud, SAS (formerly SB1, SAS) 40, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Real State
SB2, SAS 40, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Real State
SB3, SAS 40, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Real State
SCI SB3 40, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Real State

	% shareholding					
	Direct		Indirect		Shareholder	Line of business
	31.12.13	31.12.12	31.12.13	31.12.12		
SCI Washington 40, rue Washington 75008 Paris (France)	-	-	66%	66%	SFL	Real State
SCI 103 Grenelle 40, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Real State
SCI Paul Cézanne 40, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Real State
Riofisa, S.A.U. Avda. Diagonal 532 08006 Barcelona (Spain)	-	-	100%	100%	Asentia Project, S.L.U.	Real State
Riofisa Sur, S.L. Paseo de la Castellana, 52 28046 Madrid (Spain)	-	-	50.10%	50.10%	Riofisa, S.A.U.	Real State
Necsa, Nuevos Espacios Comerciales, S.A. Paseo de la Castellana, 52 28046 Madrid (Spain)	-	-	60%	60%	Riofisa, S.A.U.	Real State
Nuevas Estaciones del Ferrocarril, S.A. Paseo de la Castellana, 52 28046 Madrid (Spain)	-	-	60%	60%	Riofisa, S.A.U.	Real State
Riofisa Espacios Inmobiliarios, S.L.U. Paseo de la Castellana, 52 28046 Madrid (Spain)	-	-	100%	100%	Riofisa, S.A.U.	Real State
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, SL	Real State
Riofisa Sema, S.L. Paseo de la Castellana, 52 28046 Madrid (Spain)	-	-	100%	100%	Riofisa Internacional, S.L.	Real State
Riofisa Desarrollos Internacionales, S.L.	-	-	-	-	Riofisa Sema, S.L.	Real State
Paseo de la Castellana, 52 28046 Madrid (Spain)			100%	100%	Riofisa Internacional, S.L.	
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 State
Riofisa Bulgaria Eood "Sredets" region, 2a Saborna Str. Floor 3 Sofia (Bulgaria)	-	-	100%	100%	Riofisa Internacional, SL	Real State
Riofisa Developments Eood "Sredets" region, 2a Saborna Str. Floor 3. Sofia (Bulgaria)	-	-	100%	100%	Riofisa Internacional, SL	Real State
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 State
Riofisa Dehesa, S.L. Paseo de la Castellana, 52 28046 Madrid (Spain)	-	-	69.30%	69.30%	Riofisa, S.A.U.	Real State

	% shareholding					
	Direct		Indirect		Shareholder	Line of business
	31.12.13	31.12.12	31.12.13	31.12.12		
Riofisa Este, S.L. (formerly Riofisa Procam, S.L.) Paseo de la Castellana, 52 28046 Madrid (Spain)	-	-	100%	100%	Riofisa, S.A.U.	Real State
SC Parchamps 40, rue Washington 75008 Paris (France)	-	-	50%	50%	SAS Parholding	Real State
SC Pargal 40, rue Washington 75008 Paris (France)	-	-	50%	50%	SAS Parholding	Real State
SC Parhaus 40, rue Washington 75008 Paris (France)	-	-	50%	50%	SAS Parholding	Real State
SC Parholding 40, rue Washington 75008 Paris (France)	-	-	50%	50%	SAS Parholding	Real State

At 31 December 2013 and 2012, the proportionately consolidated subsidiaries and related information are as follows:

	% shareholding					
	Direct		Indirect		Shareholder	Line of business
	31.12.13	31.12.12	31.12.13	31.12.12		
UTE La Dehesa (Vias y Construcciones, S.A.) Av. Luis de Morales, 32 41018 Seville (Spain)	-	-	50%	50%	Inmocaral Servicios, S.A.	Construction
Goldale Real Estate, S.R.L 24-26 Nordului Road, 5th Floor Room 2 Bucharest (Romania)	-	-	50%	50%	Riofisa Internacional, S.L.	Real State
Masterange Imobiliare SRL 24-26 Nordului Road, 5th Floor Room 14, District 1 Bucharest (Romania)	-	-	50%	50%	Riofisa Internacional, S.L.	Real State

At 31 December 2013 and 2012, the companies consolidated under the equity method and related information are as follows:

	% shareholding					
	Direct		Indirect		Shareholder	Line of business
	31.12.13	31.12.12	31.12.13	31.12.12		
SIIC de Paris, S.A. 24, Place Vendôme 75001 Paris (France)	-	-	29.63%	29.63%	SFL	Real State

At 31 December 2013 and 2012, 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.

APPENDIX II

Information on companies with joint ventures included in the scope of consolidation

The financial information for joint ventures at 31 December 2013 is as follows:

	Thousands of euros					
	% shareholding	Income and expenses	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Goldale Real Estate, S.R.L	50%	(1,357)	-	8,665	-	147
Masterange Imobiliare SRL	50%	(1,104)	-	6,436	-	73

The financial information for joint ventures at 31 December 2012 is as follows:

	Thousands of euros					
	% shareholding	Income and expenses	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Goldale Real Estate, S.R.L	50%	(8,287)	-	9,959	-	74
Masterange Imobiliare S.R.L.	50%	(6,395)	-	7,496	-	17

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 2013

1. Group situation

Macroeconomic environment

The markets ended 2013 on an upward trend, having gained vigour and stability on the back of three major factors: macroeconomic conditions have improved; the many risks seriously endangering global financial stability in the recent past have abated; and the developed countries have continued to pursue an ultra loose monetary policy. We expect – albeit cautiously – that these favourable conditions will hold up in 2014 and continue to underpin the strong performance of risk assets.

At the end of 2013 the data for the Spanish economy as a whole suggested a bright outlook. Indicators for the fourth quarter of 2013 confirm that growth is ongoing and may even have sped up towards the end of the year. The closing quarter of 2013 saw 0.3% quarter on quarter growth in GDP. Full-year growth in 2014 is expected to reach 0.8%, a rate not seen since 2008. 2014 is set to be a key year for strengthening the underpinnings of the future growth of the Spanish economy.

In France, 2013 was "flat" (+0.2% GDP growth), but performance is expected to improve in 2014 (+0.9% GDP growth), reaching annual growth of 1.5% by 2015 according to leading analysts.

State of the rental market

Barcelona

In 2013 Barcelona recorded the lowest rate of new office lets of the past 16 years. In the closing quarter, new let's came to just under 64,000 m²; combined with the 122,000 m² of the previous three quarters, the total for the year came to 186,300 m² – the lowest annual figure since 1997. Despite these figures, brokers have perceived an uptick in the market in the past few months, with the fourth quarter being markedly busier than the previous three. Furthermore, in late 2013 some new office lettings were the result of new arrivals to Barcelona or tenants' expansion within their own building: this encouraging development had not been seen for some time.

Owing to the low volume of new lets throughout the year and the delivery of the Cornerstone project in Distrito 22@ – which so far remains vacant – the vacancy rate has increased slightly to 14.6% (10.3% in the CBD).

Prime rents in the Barcelona office market appear to have bottomed out at 17.50 euros per m² per month. After five years of ongoing price decreases, the leading brokers take the view that the correction is now complete, having involved a decline of more than 40% in the highest rents for the Paseo de Gracia/Diagonal area. In the short and medium term office rent prices are expected to stabilise. Rent prices will also be sustained by the fact that new office space is not being built in Barcelona.

Madrid

Office space and high-tech lettings in the fourth quarter totalled 105,000 m², well above the figure for the third quarter. Total contract volume in 2013 came to 366,000 m² – over 30% more than the 2012 figure, and slightly higher than the 2011 figure, but falling short of the 2010 total (400,000 m², matching the historical average).

The average vacancy rate in Madrid was 11.9%, and 9.1% in the CBD (prime location). The supply of office and high-tech space rose slightly by 17,000 m² owing to new vacancies in high-tech properties in the suburban and satellite areas; however, this increase of less than 1% is clearly far less than that seen in previous years. The shortage of quality space with a floor area of more than 2000 m² in the CBD is causing the otherwise downward trend in prices to find a firm "floor", and is keeping the vacancy rate in this sub-market at 9%.

Future supply remains minimal, partly through a lack of financing for new projects and also because developers are waiting for the macroeconomic scenario to firm up enough for demand to recover sufficiently. Contrary to expectations no new projects were completed in the final quarter of 2013; properties that were approaching completion will now open in the early months of 2014.

Prime rent prices in Madrid remained at the level of 24.25 euros per m² per month for the fifth quarter in a row, which suggests that the end of the cycle is approaching for the best properties on the market. Brokers assert that the market segment displaying the most stable performance is that of modern and/or refurbished buildings in the prime area, owing to a shortage of quality space in that district.

Paris

Office lets in Paris in 2013 totalled 1,844,497 m², 25% less than in 2012. 53 leases were signed involving more than 5,000 m² – a 20% year-on-year decrease.

In the CBD, cumulative lease signings reached 322,174 m², showing stable performance year-on-year.

The vacancy rate rose in Paris, with an immediately supply of 3,925,000 m² (vacancy rate of 7.5% in the Paris region). In the CBD the vacancy rate remained low, rising slightly by 0.7 points to 5.7%.

Large transactions declined drastically, reaching the lowest total of the past decade. Office space continues to account for 86% of rental transactions. The retail segment, however, continues to perform strongly, and now represents 9% of transactions in the Paris region.

The prevailing economic uncertainty has hit the office market and keeps demand weak. However, assets in prime locations and high-quality assets are expected to hold their own, due to the scarcity of major projects available in the CBD.

Prime rents in the Paris CBD stood at €750 per m² per annum.

Some analysts are optimistic about 2014, given the signs of recovery at the global and domestic levels; rental business is expected to revive gradually from the second half of 2014 onwards.

Sources: December 2013 reports by Jones Lang Lasalle, Cushman & Wakefield, CBRE, Aguirre Newman

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 5,300 million euros. 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.

The company is in the process of restructuring its borrowings.

In early 2013 the Board of Directors of the company began discussions with its creditors with a view to restructuring a syndicated loan in the amount of approximately 1,800 million euros which falls due in late December 2014. The restructuring forms part of a wider plan to recapitalise the company so that it can pay its debts, ensure that its business is viable going forward, and protect its shareholders' interests. Against this background, over the past few months several strategies have been considered to reduce the amount of debt, such as asset sales – including a total or partial disposal of Colonial's stake in Sociètè Foncière Lyonnaise (SFL) – and capital increases. These strategies have involved various negotiations, and offers have been received from several investors.

Against this background, on 21 January 2014 the shareholders held an extraordinary General Meeting to address the refinancing of the Parent's debt. The Board of Directors gave an account of the efforts made in the past several months to reach agreement with bank creditors and prospective investors so as to restructure the Parent's debt and recapitalise the Company. As a result of those negotiations, the Board of Directors has received, inter alia, three separate binding undertakings to invest, subject to a range of conditions, from the following investors:

- the Villar Mir group has undertaken independently to invest cash in the Parent in an amount of up to €300 million funded by the cash proceeds of the issue of ordinary shares carrying rights equal to those attaching to the shares now outstanding;

- the Santo Domingo group has undertaken independently to invest cash in the Parent in an amount of €100 million funded by the cash proceeds of the issue of ordinary shares carrying rights equal to those attaching to the shares now outstanding; and

- Amura Capital (an entity associated with Mora Banc Grup, S.A.) has undertaken independently to invest cash in the Parent in an amount of €100 million funded by the cash proceeds of the issue of ordinary shares carrying rights equal to those attaching to the shares now outstanding.

Each of these investors has represented to the Parent that it acts independently and is not now nor intends to become privy to any agreement with either of the other two investors or any shareholder or third party in relation to acquisition of shares in the Parent or to the exercise of voting rights.

These investment undertakings are subject to a range of conditions.

2. Business performance

Introduction

Revenue totalled 213 million euros at 31 December 2013, and was generated by the Group's recurring business (property rentals). In addition, the Company generated proceeds of 388 million euros from investment asset sales.

Earnings before net valuation gains, provisions, interest, tax, depreciation and amortisation (EBITDA) came to 149 million euros, of which 165 million euros came from recurring sources.

In addition, the Group's stake in SIIC de Paris generated an attributable profit of 21 million euros (recorded in "Share of profit from equity-accounted investments"), in line with last year's figure.

According to the independent appraisal conducted by CB Richard Ellis, Jones Lang Lasalle and Atis Real at year-end, investment property had risen in value by 37 million euros. This revaluation masks an increase in valuations in France and a decline in valuations in Spain and reflects a net 4.5% increase in value in like-for-like terms of rental assets in operation with respect to December 2012 (-5.7% in Spain and 7.7% in France).

The Group capitalised 11 million euros of borrowing costs related to developments in progress.

Net finance cost came to 224 million euros.

The Colonial Group made a loss before non-controlling interests of 465 million euros, of which 405 million euros came from the non-strategic residential business (the Asentia group).

In 2010 Colonial recognised a provision to write off the value of its stake in the land and development business (Asentia group). The provision was used in full, so since 2012 those losses have fed through to the Group's consolidated financial statements.

After subtracting profit attributable to non-controlling interests (82 million euros), loss after tax attributable to equity holders of the Parent amounted to 547 million euros.

The Colonial Group's rental business at the end of 2013 was appraised by Jones Lang LaSalle, CB Richard Ellis and BNP Paribas Real Estate at 5,347 thousand euros. Appraisal values are updated on a six monthly basis in accordance with best practice in the industry.

In December 2013, the value of the Colonial Group's rental business assets had risen +4.5% like-for-like with respect to December 2012 (+2.0% vs. June 2013).

The value of the French business had risen +7.7% like-for-like over the past 12 months (+3.5% vs. June 2013), thus offsetting the decline in the value of the Spain portfolio (-5.7% over the past 12 months and -3.0% over the past 6 months).

Of the total value of the rental business, 5,039 million euros relate to the Colonial Group's asset portfolio and 308 million euros reflect the value of SFL's stake in SIIC de Paris (NAV at 31 December 2013), a property firm which is listed on the Paris exchange and owns an office portfolio worth over 1,400 million euros.

The Asentia Group's residential and retail property rental business at 31 December 2013 was appraised by Jones Lang LaSalle at 736 million euros.

The value of the portfolio declined by 36.5% with respect to December 2012 (20.9% since June 2013).

The key facts in each business area are outlined below:

Ongoing business: Rentals

Rental revenue amounted to 213 million euros, 5.4% down year-on-year. Like-for-like – i.e. adjusting for disposals and variations in the portfolio of construction/refurbishment projects – the Group's rental revenue rose by 1.0%. In Paris, rent revenue increased 3.9% like-for-like, while in Spain the corresponding figure was a 5.3% decrease.

EBITDA for the buildings (net rent) came to 192 million euros – a 2% increase like-for-like – making for an EBITDA ratio of 90%.

79% of the Group's revenue is accounted for by office buildings. The Group has retained its high exposure to CBD markets (74%). 70% of rent revenue (149 million euros) came from the Paris-based subsidiary, while 30% was generated by buildings in Spain. In terms of attributable figures, approximately 55% of rent is generated in France, the remainder being earned in Spain.

At the end of 2013, the Colonial Group had a GLA (gross leasable area) of 980,898 m² (696,347 m² above ground), mostly comprising office space. At 31 December 2013, 84% of the portfolio was under operation. The remaining 16% comprised an attractive range of construction and refurbishment projects.

Throughout 2013 the Colonial Group signed leases for a combined floor area of 108,469 m², of which 28,041 m² was new leases and 80,428 m² was lease renewals. By location, 29% (31,916 m²) of total leased floor area was accounted for by contracts signed in the Madrid market, 34% (37,125 m²) related to transactions in the Barcelona market and 36% (39,428 m²) represented leases signed in Paris.

In Spain, more than 57,000 m² of the year's signings was concentrated in six buildings. In Paris, highlights included the lease of 22,000 m² to Natixis in the Rives de Seine building and of 7000 m² to Klépierre Management in the Edouard VII building.

The large volume of signings achieved in 2013 improved the occupancy rate of the office portfolio in Spain as compared to December 2012. The occupancy rate particularly improved in the Madrid portfolio, chiefly due to the signing of a lease for 15,935 m² in the Martínez Villergas building. As a result, the Madrid and Barcelona office portfolios reached economic occupancy rates (calculated according to EPRA recommendations) of 82% and 83%, respectively. However, present levels are still far below the portfolio ratios Colonial enjoyed before the economic downturn.

At year-end 2013, the Colonial Group had a portfolio of rental property construction projects comprising 4 office buildings. With a combined leasable area of 69,000m², the assets will come into operation between 2014 and 2018.

Discontinued operation: Residential sales

The Colonial Group carries on its land management and residential sales businesses through the Asentia subgroup: the parent is Asentia Project, and its main subsidiary is Riofisa.

At year-end 2013 the residential land bank stood at 1.5 million m². 48% of this land is located in Andalusia and the remaining 52% is distributed across Madrid and eastern Spain (Catalonia/Levante/Majorca).

In 2013 sales of finished units came to 19.2 million euros, 30% down year-on-year. Whereas no land was sold in 2012, in 2013 land sales totalled 13.4 million euros.

The Group has continued its strategy of scaling back its residential sales business. The stock of finished homes – owned entirely by the company Asentia Project, S.L.U. – decreased by 63% year-on-year from 94 units at year-end 2012 to 35 units now. The stock of offices for individual use – owned by the Riofisa subgroup – decreased by 6% in 2013 and now stands at 604 units.

3. Outlook

The outlook for the office lettings market in Madrid, Barcelona and Paris is discussed below:

Madrid market

The leading brokers expect a very low volume of new construction projects in the coming two years.

In addition, brokers think the gross volume of lettings will increase in 2014, given the robust demand seen in 2013, the low prices now prevailing, improving macroeconomic data and rising business confidence.

The vacancy rate will be shaped by market fundamentals and the rate at which they evolve. On the plus side, it appears that government authorities are now slowing down the process of vacating rented premises. The change in the vacancy rate will be determined less by new supply on the market than by the performance of new lease signings.

Brokers believe rent prices will be powerfully affected by the vacancy rates prevailing in each target area. In the CBD prime area, prices are likely to stabilise or even start to rise. In areas further out to the periphery of the city high vacancy rates will drive a continued correction in rent prices; however, buildings in the best locations and offering the highest technical specifications will retain an edge.

Barcelona market

The leading brokers expect higher uptake rates in 2014 in the light of an improving economic situation and the strong performance seen in other cities, such as Madrid.

According to brokers the vacancy rate is set to drop slightly as a result of the dearth of new supply coming to the market, the expected upswing in the volume of lease signings, and the decreased stock of available office space due to the re-purposing of some buildings as hotels.

Given the performance of rent prices in the second half of 2013, the main brokers expect average rent to stabilise in prime areas. Elsewhere, rent prices will continue their downward trend as a function of the specific vacancy rates in each area and the pace of actual lease signings throughout the period.

Paris market

In 2013 the office rental market in Paris was hit by the weakening of the French economy, although prime assets mostly held their own. The leading brokers are somewhat more optimistic about 2014, given the signs of recovery at the global and domestic levels; rental business is expected to revive gradually from 2014 onwards.

4. Risk management policies and objectives

See section E of the 2013 Annual Corporate Governance Report.

5. Research and development

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

6. Treasury shares

Inmobiliaria Colonial S.A. did not perform any transactions with treasury shares in 2013. At 31 December 2013, the net treasury shares balance was 1,710,000 shares, with a nominal value of 1,710,000 euros, representing 0.76% of the Parent's share capital. At the date of authorisation for issue of these consolidated financial statements the nominal value of treasury shares came to 427 thousand euros (Note 27).

7. Events after the end of the reporting period

See Note 27 to the consolidated financial statements of Inmobiliaria Colonial, S.A. and its subsidiaries for 2013..

8. Other items

In accordance with the provisions of Article 116 bis of the Securities Market Act 1988, introduced by *Ley 6/2007*, Inmobiliaria Colonial, S.A. ("Colonial" or the "Parent") discloses the following information:

a) The capital structure, including securities not listed on an organised exchange in the EU, indicating, as appropriate, the different classes of shares and, for each class of share, the rights and obligations conferred and the percentage of share capital they represent

See section A.1 of the 2013 Annual Corporate Governance Report.

b) Restrictions on the transfer of securities

See sections A.10 of the 2013 Annual Corporate Governance Report.

c) Significant direct and indirect shareholdings

See sections A.2 and H of the 2013 Annual Corporate Governance Report.

d) Limitations on voting rights

See section A.10 of the 2013 Annual Corporate Governance Report.

e) Agreements between shareholders

See section A.6 of the 2013 Annual Corporate Governance Report.

f) Rules governing the appointment and removal of directors and amendments to the Company's articles of association

Appointment and removal of members of the Board of Directors

See sections C.1.19 and C.1.21 of the 2013 Annual Corporate Governance Report.

Modification of the Parent's articles of association

See section B.3 of the 2013 Annual Corporate Governance Report.

g) Powers granted to members of the Board of Directors and, in particular, authorisation to issue or redeem shares

Powers granted to members of the Board of Directors

The Board of Directors, acting as a single body, is responsible for the management, administration and representation of the Company both in and out of court. The Board's main duties are to supervise and control the Company's general management and to decide on fundamental issues affecting the Company.

Board resolutions are carried out by the member or members designated by the Board or, if no directors are designated, by the Chairman or other party authorised to carry out company resolutions.

The Board of Directors is endowed with the broadest powers with respect to the administration, representation and management of the Company, and the administration and use of its assets and equity. All powers not attributed by law or under the articles of association to the shareholders in General Meeting rest with the Board.

At a meeting on 15 October 2008, the Board of Directors of the Company agreed to jointly grant all powers that are delegable under the law and the articles of association to the CEO of the Company. Legally non-delegable powers were not granted. This resolution was ratified on 28 November 2008 by the Board of Directors once his appointment as a director had been ratified at the Extraordinary General Meeting held on 21 November 2008.

Power to issue and buy back shares

See section A.9 of the 2013 Annual Corporate Governance Report.

h) Significant agreements entered into by the Company that will come into force, be modified or terminate in the event of a change of control of the Company following a takeover bid as well as their implications, except where disclosure could pose a serious risk to the Company. This exception shall not apply when the Company is legally required to disclose such information

See section C.1.44 of the 2013 Annual Corporate Governance Report.

i) Agreements between the Company and its Board members or employees providing for compensation upon resignation or unfair dismissal or if their employment relationship terminates due to a takeover bid

See section C.1.45 of the 2013 Annual Corporate Governance Report.

9. Annual Corporate Governance Report

For the purposes of section 526 of the Spanish Corporate Enterprises Act, it is hereby noted that the Annual Corporate Governance Report for 2013 forms part of this Consolidated Management Report.