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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON FINANCIAL STATEMENTS

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

1. We have audited the financial statements of Inmobiliaria Colonial, S.A. ("the Company"), which comprise the balance sheet at 31 December 2013 and the related income statement, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended. The directors are responsible for the preparation of the Company's financial statements in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2-a to the accompanying financial statements) and, in particular, with the accounting principles and rules contained therein. Our responsibility is to express an opinion on the 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 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 financial statements for 2013 present fairly, in all material respects, the equity and financial position of Inmobiliaria Colonial, S.A. at 31 December 2013, and the results of its operations and its cash flows for the year then ended, in conformity with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein.

3. Without qualifying our audit opinion, we draw attention to Note 2-h to the accompanying financial statements, which indicates that the Company has a working capital deficiency of EUR 1,901 million, without taking into account the assets and liabilities classified as held for sale, as a result, basically, of the syndicated loan that matures in the short term.

   In this context, on 21 January 2014, within the framework of the Company'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 Company'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 Company 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.

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

4. The accompanying directors' report for 2013 contains the explanations which the directors consider appropriate about the Company's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for 2013. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Inmobiliaria Colonial, S.A.

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

Rafael Abella

28 February 2014

COL·LEGI
DE CENSORS JURATS
DE COMPTES
DE CATALUNYA

Membre exercent:
DELOITTE, S.L.

Any 2014 Núm 20/14/01575
CÒPIA GRATUÏTA

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

Inmobiliaria Colonial, S.A.

Notes to financial statements
for the year ended
31 December 2013 and
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 financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

INMOBILIARIA COLONIAL, S.A.

BALANCE SHEET AT 31 DECEMBER 2013
(thousands of euros)

ASSETS	Notes	31.12.13	31.12.12	EQUITY AND LIABILITIES	Notes	31.12.13	31.12.12
NON-CURRENT ASSETS:				**EQUITY:**			
Intangible assets-	**5**	**151**	**253**	**CAPITAL AND RESERVES-**		**328.659**	**437.893**
Computer software		151	253	**Capital-**		**225.919**	**225.918**
Property, plant and equipment-	**6**	**10.213**	**11.079**	Registered capital		225.919	225.918
Land and buildings		17.923	17.970	**Share premium-**		**109**	**102**
Technical installations and other items		1.239	1.409	**Reserves-**		**1.083.485**	**1.083.616**
Impairment of property, plant and equipment		(8.949)	(8.300)	Legal and statutory reserves		5.080	5.080
Investment property -	**7**	**955.832**	**1.101.569**	Other reserves		1.078.405	1.078.536
Land		872.914	993.706	**Own shares and equity holdings-**		**(38.280)**	**(38.280)**
Buildings and installations		291.712	340.258	**Prior years' profit and loss-**		**(837.243)**	**-**
Under construction and advances		144.399	76.018	**Profit/(loss) for the year**		**(107.341)**	**(837.243)**
Impairment of investment property		(353.193)	(308.413)	**Other equity instruments-**		**2.010**	**3.780**
Non-current investments in group companies and associates-	**9**	**1.183.237**	**1.153.825**	**VALUATION ADJUSTMENTS-**		**(5.425)**	**(15.780)**
Equity instruments of the group		1.405.824	1.414.289	Hedging transactions		(5.425)	(15.780)
Loans to companies	**9 and 19**	77.380	3.894	**Total equity**	**13**	**323.234**	**422.113**
Impairment of investments in group companies and associates		(299.967)	(264.358)				
Non-current investments-	**9**	**35.960**	**36.915**				
Derivatives	**10**	-	83	**NON-CURRENT LIABILITIES:**			
Other financial assets		35.960	36.832	**Non-current provisions-**	**14**	**37.479**	**155.944**
Deferred tax assets-	**17**	**253.639**	**330.032**	Long-term employee benefits		134	146
Total non-current assets		**2.439.032**	**2.633.673**	Other provisions		37.345	155.798
				Non-current payables-		**151.216**	**1.944.640**
				Debt with financial institutions	**15**	137.959	1.937.844
				Derivatives	**10**	6.603	-
				Other financial liabilities	**16**	6.654	6.796
				Group companies and associates, non-current	**19**	**42.359**	**40.964**
				Deferred tax liabilities and other payables to public entities-	**17**	**37.493**	**110.381**
CURRENT ASSETS:				**Total non-current liabilities**		**268.547**	**2.251.929**
Non-current assets held for sale-	**11**	**54.117**	**99.952**				
Trade and other receivables-		**2.982**	**6.771**				
Trade receivables		1.642	3.781				
Trade receivables from group companies and associates	**19**	502	337	**CURRENT LIABILITIES:**			
Other receivables		-	2	**Current provisions-**	**14**	**20.126**	**-**
Advances to suppliers		246	182	**Current payables-**		**1.853.187**	**61.617**
Personnel		10	6	Debt with financial institutions	**15**	1.851.116	47.483
Public entities, other	**17**	582	2.463	Derivatives	**10**	2.035	14.134
Current investments in group companies and associates-	**19**	**2.442**	**4.556**	Other financial liabilities		36	-
Loans to group companies and associates		2.442	4.556	**Group companies and associates, current-**	**19**	**436**	**583**
Current investments-	**12**	**891**	**13.121**	**Trade and other payables-**		**54.043**	**62.166**
Equity instruments		21	12.255	Suppliers		34.302	33.429
Loans to companies		866	866	Other payables		1.126	987
Derivatives	**10**	4	-	Public entities, other	**17**	18.408	27.750
Prepayments for current assets-		**-**	**1**	Advances from customers		207	-
Cash and cash equivalents-	**15**	**20.113**	**40.347**	**Current accruals-**		**4**	**13**
Total current assets		**80.545**	**164.748**	**Total liabilities**		**1.927.796**	**124.379**
TOTAL ASSETS		**2.519.577**	**2.798.421**	**TOTAL EQUITY AND LIABILITIES**		**2.519.577**	**2.798.421**

Notes 1 to 24 and the Appendix of the accompanying notes to the financial statements are an integral part of the balance sheet at 31 December 2013.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

INMOBILIARIA COLONIAL, S.A.

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013
(thousands of euros)

	Notes	2013	2012
CONTINUING OPERATIONS:			
Revenue-	**18**	**111.472**	**123.307**
Sales		57.730	68.494
Services rendered		1.339	1.113
Income from holdings in group companies		52.403	53.700
Other operating income-		**30**	**650**
Non-trading and other operating income		30	650
Personnel expenses-	**18**	**(5.011)**	**(7.837)**
Salaries and wages		(6.272)	(5.505)
Employee benefits expense		1.261	(2.332)
Other operating expenses-		**(46.458)**	**(50.565)**
External services		(18.900)	(15.185)
Taxes		(8.240)	(2.357)
Losses, impairment and changes in trade provisions	**14**	(19.091)	(33.015)
Other operating expenses		(227)	(8)
Amortisation and depreciation-	**5, 6 and 7**	**(23.117)**	**(24.380)**
Provision surpluses		**-**	**7.000**
Impairment and gains/(losses) on disposal of fixed assets-		**(84.134)**	**(168.661)**
Impairment and losses	**5, 6, 7 and 11**	(83.867)	(166.131)
Gains/(losses) on disposal and other	**11**	(267)	(2.530)
Results from operating activities-		**(47.218)**	**(120.486)**
Finance income-	**18**	**2.685**	**1.740**
Dividends-		**-**	**827**
Other companies		-	827
Marketable securities and other financial instruments-		**2.685**	**913**
Group companies and associates-		199	913
Other		2.486	-
Finance expenses-	**18**	**(147.368)**	**(75.442)**
Group companies and associates		(78.103)	(45.084)
Other		(69.265)	(30.358)
Change in fair value of financial instruments-	**18**	**(294)**	**(134)**
Trading portfolio and other		(294)	(134)
Impairment and gains/(losses) on disposal of financial instruments-		**86.502**	**(122.425)**
Impairment and losses	**12 and 18**	81.348	(122.430)
Gains/(losses) on disposal and other		5.154	5
Net finance income/(expense)-		**(58.475)**	**(196.261)**
Profit/(loss) before tax-		**(105.693)**	**(316.747)**
Income tax expense	**17**	(1.648)	(520.496)
Profit/(loss) for the year before tax from continuing operations-		**(107.341)**	**(837.243)**
Profit/(loss) for the year-		**(107.341)**	**(837.243)**

Notes 1 to 24 and the Appendix of the accompanying notes to the financial statements are an integral part of the income statement for the year ended 31 December 2013.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

INMOBILIARIA COLONIAL, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

A) STATEMENT OF RECOGNISED INCOME AND EXPENSE

(thousands of euros)

	2013	2012
PROFIT/(LOSS) FOR THE YEAR (I)	**(107.341)**	**(837.243)**
Income and expense recognised directly in equity		
Cash flow hedges	17.117	4.031
Tax effect	-	(1.209)
Cancellation of the tax effect	(6.762)	-
Adjustments to fair value of available-for-sale financial assets	-	(12.594)
Total income and expense recognised directly in equity (II)	**10.355**	**(9.772)**
Amounts transferred to income statement		
Cash flow hedges	-	-
Tax effect	-	-
Adjustments to fair value of available-for-sale financial assets	-	20.504
Total amounts transferred to income statement (III)	**-**	**20.504**
Total recognised income and expense (I+II+III)	**(96.986)**	**(826.511)**

Notes 1 to 24 and the Appendix of the accompanying notes to the financial statements are an integral part of the statement of recognised income and expense year ended 31 December 2013.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

INMOBILIARIA COLONIAL, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR

ENDED 31 DECEMBER 2013

B) STATEMENT OF TOTAL CHANGES IN EQUITY

(thousands of euros)

	Capital	Share premium	Reserves	Treasury shares	Prior years' profit and loss	Profit/(loss) for the year	Other equity instruments	Valuation adjustments: financial instruments	Valuation adjustments	Total
Balance at 31 December 2011	**225.918**	**93**	**1.066.869**	**(36.786)**	**(1.413)**	**18.287**	**2.445**	**(7.910)**	**(18.602)**	**1.248.901**
Total recognised income and expense	-	-		-	-	(837.243)	-	7.910	2.822	**(826.511)**
Transactions with shareholders:										
Capital increases	-	-	-	-	-	-	-	-	-	**-**
Capital reductions	-	-	-	-	-	-	-	-	-	**-**
Reduction in nominal value of shares	-	-	-	-	-	-	-	-	-	**-**
Conversion of other equity instruments	-	9	(16)	-	-	-	(9)	-	-	**(16)**
Distribution of profit/(loss)	-	-	16.874	-	1.413	(18.287)	-	-	-	**-**
Transactions with own shares and equity holdings (net)	-	-	-	(1.494)	-	-	1.233	-	-	**(261)**
Borrowing cost of equity instruments	-	-	(111)	-	-	-	111	-	-	**-**
Balance at 31 December 2012	**225.918**	**102**	**1.083.616**	**(38.280)**	**-**	**(837.243)**	**3.780**	**-**	**(15.780)**	**422.113**
Total recognised income and expense	-	-	-	-	-	(107.341)	-	-	10.355	**(96.986)**
Transactions with shareholders:										
Conversion of other equity instruments	1	7	(42)	-	-	-	(7)	-	-	**(41)**
Distribution of profit/(loss)	-	-	-	-	(837.243)	837.243	-	-	-	**-**
Transactions with own shares and equity holdings (net)	-	-	-	-	-	-	(1.852)	-	-	**(1.852)**
Borrowing cost of equity instruments	-	-	(89)	-	-	-	89	-	-	**-**
Balance at 31 December 2013	**225.919**	**109**	**1.083.485**	**(38.280)**	**(837.243)**	**(107.341)**	**2.010**	**-**	**(5.425)**	**323.234**

Notes 1 to 24 and the Appendix of the accompanying notes to the financial statements are an integral part of the statement of total changes in the year ended 31 December 2013.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

INMOBILIARIA COLONIAL, S.A.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013
(thousands of euros)

	Notes	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES (I):		**51.940**	**32.501**
Profit/(loss) for the year before tax from continuing operations-		**(105.693)**	**(316.747)**
Profit/(loss) for the year before tax from discontinued operations-		**-**	**-**
Adjustments for-		**132.372**	**361.575**
Amortisation and depreciation	**5, 6 and 7**	23.117	24.380
Valuation allowances for impairment losses	**5, 6, 7 and 11**	83.867	166.131
Changes in provisions	**14**	19.091	26.015
Proceeds from disposals of fixed assets	**11**	267	2.530
Impairment and proceeds from disposal of financial instruments	**9,12 and 14**	(86.502)	122.425
Finance income	**18**	(55.088)	(55.440)
Finance expenses	**18**	147.368	75.442
Change in fair value of financial instruments	**10 and 18**	294	134
Capital increase costs		(42)	(42)
Changes in operating assets and liabilities-		**5.081**	**(1.829)**
Trade and other receivables		3.127	(233)
Other current assets		-	854
Trade and other payables		1.209	(1.445)
Other current liabilities		27	(37)
Other non-current assets and liabilities		718	(968)
Other cash flows from operating activities-		**20.180**	**(10.498)**
Interest paid		(43.289)	(38.736)
Dividends received	**18**	52.898	54.527
Interest received		287	796
Income tax received (paid)		(12.456)	(16.511)
Proceeds from and payments for cancellation of derivatives		17.620	(10.574)
CASH FLOWS FROM INVESTING ACTIVITIES (II)		**35.251**	**8.748**
Payments for investments-		**(86.560)**	**(10.452)**
Group companies and associates		(73.987)	(2.844)
Intangible assets	**5**	(3)	(204)
Property, plant and equipment	**6**	(151)	(26)
Investment property	**7**	(11.343)	(6.306)
Non-current assets held for sale	**11**	(1.076)	(1.073)
Proceeds from sale of investments-		**121.811**	**19.200**
Group companies and associates		6.513	-
Other current financial assets		17.436	-
Non-current assets held for sale	**11**	97.862	19.200
CASH FLOWS FROM FINANCING ACTIVITIES (III)		**(67.065)**	**(49.826)**
Proceeds from and payments for equity instruments-		**-**	**(1.494)**
Issue of equity instruments		-	(1.494)
Proceeds from and payments for financial liability instruments-		**(67.065)**	**(48.333)**
Debt issuance with credit institutions		35.604	
Redemption and repayment of debt with financial institutions		(101.990)	(47.514)
Redemption and repayment of debt with group companies and associates		679	(819)
EFFECT OF EXCHANGE RATE FLUCTUATIONS (IV)		**-**	**-**
NET INCREASES/(DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV)		**(20.234)**	**(8.578)**
NET INCREASES/(DECREASE) IN CASH AND CASH EQUIVALENTS FROM NON-MONETARY CONTRIBUTIONS		**-**	**-**
Cash and cash equivalents at the beginning of the year		40.347	48.925
Cash and cash equivalents at the end of the year		20.113	40.347

Notes 1 to 24 and the Appendix of the accompanying notes to the financial statements are an integral part of the statement of cash flows in the year ended 31 December 2013.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

Inmobiliaria Colonial, S.A.

Notes to financial statements
for the year ended
31 December 2013

1. Company Activity

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

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

Inmobiliaria Colonial, S.A. is engaged in the lease, acquisition, development and sale of movable property, as well as the management of financial holdings. The Company leases office space in Spain (mainly in Barcelona and Madrid) and in Paris through the group headed up by Société Foncière Lyonnaise S.A. (hereinafter, "SFL"). In addition, the Group develops land and housing in Spain through subsidiaries Asentia Project, S.L.U., while the shopping centre and business park development and management business is carried out in Spain, Bulgaria and Romania through its indirect shareholding in the Riofisa Group.

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 under the scope of the agreements reached by virtue of the "Framework Refinancing Agreement" signed between the Company and the banks on 19 February 2010.

On 16 June 2002 and 29 June 2006, the Company issued equity, some of which in exchange for non-monetary contributions. In addition, in 2007, Inmobiliaria Colonial, S.A. (merged company) 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. (merged companies) were merged into Inmobiliaria Colonial, S.A. (surviving company).

All the aforementioned mergers, spin-offs and non-monetary contributions were filed under the tax regime provided for in Title VII, Chapter VIII, of the Spanish Corporate Tax Act. In accordance with legal requirements, all relevant information regarding these corporate transactions is detailed in the financial statements 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 Company, it does not have any environmental liabilities, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements. However, the Company does apply an active environmental policy in relation to urban development, construction, maintenance and the preservation of its property portfolio.

The Company is the parent of a group of subsidiaries, and current legislation obligates it to authorise for issue separate consolidated financial statements. The consolidated financial statements of 2012 were approved by the

General Shareholders’ Meeting of Inmobiliaria Colonial, S.A. held on 27 June 2013 and deposited at the Mercantile Register of Barcelona.

2. Basis of presentation of the annual financial statements

a) Regulatory framework of financial reporting applicable to the Company

These financial statements have been authorised for issue by the Directors in accordance with the regulatory framework of financial reporting applicable to the Company, as set out in:

a) the Spanish Code of Commerce and other company law.

b) General Chart of Accounts (Spanish GAAP) approved by Royal Decree 1514/2007, along with Royal Decree 1159/2010, amending certain aspects of the GAAP and its sectorial adaptations and, in particular, the Sectorial Adaptation of the General Chart of Accounts of Property Companies approved by the Order of 28 December 1994, and provisions approved by the National Securities Market Commission.

c) Mandatory standards approved by the Institute of Accounting and Auditing in implementing the General Chart of Accounts and its supplementary regulations, the Securities Market Act and other regulations issued by the National Securities Market Commission.

d) All other applicable Spanish accounting law.

b) True and fair view

The attached financial statements were prepared on the basis of the accounting records kept by the Company and are presented in accordance with the applicable financial reporting framework and, in particular, the accounting principles and criteria contained therein, to present a true and fair view of the Company’s equity and financial position, income, and cash flows for the year then ended. These financial statements, which have been authorised for issue by the Company's Directors, shall be submitted for the approval of the General Shareholders’ Meeting, and are expected to be approved without any modification. The 2012 financial statements were approved by the shareholders in general meeting on 27 June 2013.

c) Non-mandatory accounting principles applied

No non-mandatory accounting principles have been applied. Accordingly, the Directors have authorised these financial statements for issue on the basis of all mandatory accounting principles and standards that have a material effect on such statements. All mandatory accounting principles have been applied.

d) Critical aspects of measurement and estimate of uncertainty

The attached annual financial statements use estimates by Company directors to quantify certain assets, liabilities, income, expense and commitments recognised therein. These estimates and criteria related to the following:

- Going concern principle (Note 2.h).

- The recoverability of tax credits in respect of tax loss carryforwards and deferred tax assets recognised in the statement of financial position (Note 17).

- Measurement and impairment of financial investments (Note 4.e).

- Impairment losses on investment properties as a result of lower property appraisals by independent experts vis-à-vis the carrying amounts of these assets (Note 7).

  The market value of investment properties was obtained from the appraisals periodically made by independent experts. Such appraisals were made on 30 June 2013 and 31 December 2013 in accordance with the income capitalisation method (note 4.c).

- Measurement of non-current assets held for sale (Note 4.f).

- The useful life of property, plant and equipment for own use (Note 4.b).

Although these estimates were made on the basis of the best available information at year-end 2013, it is feasible that future events could oblige the company to modify these amounts (upwards or downwards) in coming years, which would mean, except for goodwill impairment tests, which cannot be reversed in the future, prospectively recognising the effects of said changes in the corresponding income statements.

e) Comparative information

The information included in these notes to the financial statements for 2013 is presented, for comparison purposes, with the information relating to 2012.

f) Grouping of items

Certain items in the statement of financial position, income statement, statement of changes in equity and the statement of cash flows are grouped in order to facilitate comprehension. However, where information is significant, a breakdown is provided in the relevant notes.

g) Corrections

No significant errors have been found in the preparation of the attached financial statements that would require a restatement of the amounts included in the financial statements of 2012.

h) Going concern principle

The Company has incurred, in the current and in previous years, in significant losses resulting mainly from the writing down of tax credits capitalised in previous years, provisions recognised in the hedging of financial guarantees delivered to the subgroup Asentia, the impairment of property assets and the financial burden related to debt with credit institutions, which has brought about a significant reduction in the company's equity, which amounted to 323,234 thousand euros at 31 December 2013.

At 31 December 2013, given that the syndicated loan granted to the Company 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 Company'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 Note 14 – is negative in the amount of 1,901 million euros.

On 21 January 2014, an Extraordinary General Shareholders' Meeting was held within the process of refinancing the Company's debt, and in which the Board of Directors explained the efforts made in recent months to reach an agreement with creditor banks and with potential investors with the aim of restructuring and capitalising the Company's debt. As a result of such negotiations, the Board of Directors has received, *inter alia*, three binding individual investment commitments, subject to certain conditions, from the following investment groups:

- The Villar Mir Group, for an independent cash investment in the Company of up to 300 million euros via a cash capital increase in the form of an issue of ordinary shares with the same rights as currently outstanding shares.

- The Santo Domingo Group, for an independent cash investment in the Company of up to 100 million euros via a cash capital increase in the form of an issue of ordinary shares with the same rights as currently outstanding shares.

- Amura Capital (related to Mora Banc Group, S.A.) for an independent cash investment in the Company of up to 100 million euros via a cash capital increase in the form of an issue of ordinary shares with the same rights as currently outstanding shares.

The foregoing investors have indicated to the Company that each of them is acting independently, and that they are not party to, nor do they intend to enter into any arrangement among themselves or with any shareholder or third party in relation to the acquisition of Company shares or the exercise of their voting rights. The above-mentioned investment conditions are subject to certain conditions.

The Company's Directors proposed to the General Meeting the following resolutions, all of which were approved by a majority:

- A reduction in share capital in the amount of 169 million euros to increase voluntary reserves by reducing the nominal value of all shares from 1 euro to 0.25 euros. On 17 February 2014, as explained in Note 23, the capital reduction transaction was entered in the books of the Companies Register [Registro Mercantil].

- A share capital increase of up to 1,000 million euros via the issuance of up to 4,000 million new ordinary shares of 0.25 of nominal value each, with a preemptive subscription right and an incomplete subscription provided for. The resolution will be executed once firm commitments have been made to:

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

  - Reduce the stake in Asentia Project S.L.U. such as to remove that company from the scope of consolidation or, if applicable, its qualifying as an associate company.

  As set out in Note 23 to the 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.

- 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 Company, 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 the issue of these financial statements on the going concern basis.

3. Distribution of losses

In light of the loss in the income statement of the year ended 31 December 2013, there was no proposal to distribute results.

4. Significant accounting policies

The main accounting policies used by the Company to prepare the financial statements in accordance with General Chart of Accounts are as follows:

a) Intangible assets

As a general rule, intangible assets are initially measured at their purchase price or their production cost. Subsequently, it is measured at cost minus the accumulated depreciation and, as the case may be, any impairment. Such assets are depreciated in accordance with their useful life.

Goodwill -

Goodwill is recorded in assets when its value is recognised by virtue of an acquisition for valuable consideration as part of a business combination. Goodwill is allocated to each of the cash generating units (CGUs) expected to benefit from the business combination synergies, and it does not depreciate. In its place, such cash-generating units are impairment tested at least once a year, pursuant to the methodology indicated hereunder and, if applicable, an impairment loss is recognised.

Specifically, the Company recognises under this heading the goodwill arising from the merger and takeover of Grupo Inmocaral, S.A. (absorbing company) with Inmobiliaria Colonia, S.A. (absorbed company) as explained in Note 1. Such goodwill, which amounted to 316 million euros, was fully written off at 31 December 2013 and 31 December 2012.

Computer software -

The statement of financial position heading "Software" consists primarily of the cost of acquiring and implementing an integrated IT system, in addition to subsequent extensions or upgrades of such system. The cost is amortised on a straight-line basis at a rate of 25% per annum.

b) Property, plant and equipment

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, based on the same measurement assumptions explained in Note 4.c.

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

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 the applicable enabling 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.

The Company depreciates its 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, as follows:

	Years of estimated useful life
Properties:	
Buildings	50
Fixtures	10 to 15
Other installations, tools and furniture	3 to 10
Other P,P&E	3 to 10

Gains or losses recognised on the sale or retirement of an asset are stated at the difference between net carrying amount and the sale price, and are taken to the income statement under “Impairment charges and net gain/(loss) on sales of assets”.

c) *Investment property*

Investment property of the statement of financial position 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.

Investment properties are recognised at their acquisition cost, plus gains allocated as a result of the merger described in Note 1 between Grupo Inmocaral, S.A. (absorbing company) and Inmobiliaria Colonial, S.A. (absorbed company), minus accumulated depreciation and impairment losses.

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.

For developments in progress, the only costs capitalised are execution and financing costs, provided such expenses were accrued before the asset was put to use and the construction work lasted over one year.

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

	Thousands of euros	
	Amount capitalised during the year	Average interest rate
2013:		
Capitalised financing costs	48	2.97%
2012:		
Capitalised financing costs	457	3.47%

Investment property in progress is transferred from inventories to investment property in operation when the assets are ready to be put in use.

The Company depreciates its investment properties by the straight-line method at annual rates based on the years of estimated useful life, as follows:

	Years of estimated useful life
Properties:	
Buildings	50
Fixtures	10 to 15
Other installations, tools and furniture	3 to 10
Other P,P&E	3 to 10

The Company compares the net carrying amount of its investment property with the market value based on valuations made by independent experts on a regular basis. Impairment charges of investment property are recognised when the market value is lower than the net carrying amount. The market value is determined on a half-yearly basis: that is, at 30 June and at 31 December of each year, based on the valuations made by an independent export (Jones Lang LaSalle in both 2013 and 2012), so that the year-end market values for investment property items reflect prevailing market conditions. The valuation reports prepared by independent experts contain only the standard warnings and disclaimers concerning the scope of the findings of the appraisals carried out, referring basically to the comprehensiveness and accuracy of the information provided by the Company.

The methodology used to determine the market value of the Company'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 formalising new lease agreements in each period, based on current values in each case. The yield applied to each category of income reflects all the forecasts and risks associated with the cash flows and the investment.

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

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 for the years ending 31 December 2013 and 2012 are set out in the tables below:

Net exit yields (%) - Offices	31 December 2013	31 December 2012
Barcelona – Prime Yield		
Leased out	6.40	6.36
Total portfolio	6.40	6.36
Madrid – Prime Yield		
Leased out	6.20	6.31
Total portfolio	6.24	6.27

Assumptions made at 31 December 2013					
Rental increases (%) - Offices	Year 1	Year 2	Year 3	Year 4	Year 5 and thereafter
Barcelona –					
Leased out	2.50	2.50	2.50	2.50	2.50
Total portfolio	2.50	2.50	2.50	2.50	2.50
Madrid –					
Leased out	2.50	2.50	2.50	2.50	2.50
Total portfolio	2.50	2.50	2.50	2.50	2.50

Assumptions made at 31 December 2012				
Rental increases (%) - Offices	Year 1	Year 2	Year 3	Year 4
Barcelona –				
Leased out	2.50	2.50	2.50	2.50
Total portfolio	2.50	2.50	2.50	2.50
Madrid –				
Leased out	2.50	2.50	2.50	2.50
Total portfolio	2.50	2.50	2.50	2.50

A change of one-quarter of one point in yields would have the following impact on the valuations used by the Company to determine the value of its assets recognised under "Investment properties"; "Property, plant and equipment", and "Non-current assets held for sale" of the attached statement of financial position:

Sensitivity of valuations to changes of one-quarter of one point in the yield	Thousands of euros		
	Valuation	Decrease of one-quarter of one point	Increase of one-quarter of one point
December 2013	1,027,151	42,717	(39,248)
December 2012	1,219,778	50,887	(49,153)

The rental income earned in the years ended 31 December 2013 and 2012 from the lease of these investment properties amounted to approximately 57,730 and 68,494 thousand euros, respectively (Note 18), and is recognised under “Revenue” in the accompanying income statements.

In addition, the bulk of repair and maintenance expenses incurred by the Company in connection with the operation of its assets are passed on to the respective tenants (Note 4.q).

Gains or losses recognised on the sale or retirement of an asset are stated at the difference between net carrying amount and the sale price, and are taken to the income statement under “Impairment and net gain/(loss) on sales of assets”.

d) *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 Company’s leases qualified as operating leases.

Operating lease -

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

The acquisition cost of the leased assets is presented in the statement of financial position in accordance with the nature of the asset, plus initial direct lease agreement costs, which are expensed over the term of the lease on the same basis as lease income.

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 income statement over the lease term as the benefits of the leased asset are received or given.

e) *Financial instruments*

Financial assets -

Classification -

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

- Loans and receivables: financial assets arising from the sale of goods or the rendering of services in the company's trade, or those not arising from trade that are not equity instruments or derivatives and whose collections are for a fixed and determinable amount and are not traded in an active market.

- Investments held to maturity: debt instruments, with a fixed maturity date and determinable collection amounts traded in an active market and which the Company has expressed its intent and capacity to hold until their maturity date.

- Equity investments in group companies, associates and jointly-controlled entities: group companies are those linked to the Company by a relationship of control, and associates are companies over which the Company exercises a significant influence. In addition, the category of jointly-controlled entities includes companies that, by virtue of an arrangement, joint control is exercised with one or more partners.

- Available for sale financial assets: include debt instruments and equity instruments of other companies that are not classified under any of the foregoing categories.

Initial measurement -

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

Subsequent measurement -

Loans, receivables and investments held to maturity are measured at their amortised cost.

Investments in group companies, associates and jointly-controlled entities are measured at their cost minus, if applicable, for the accumulated amount of impairment charges. Such corrections are calculated as the difference between their carrying amount and the recoverable amount, where the latter is the larger of the following: the fair value minus sales costs and current value of future cash flows of the investment. Except in the event of better evidence on the recoverable amount, the net equity of the investee is used, adjusted by the unrealised gains at the valuation date (including goodwill, if any).

Lastly, 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 income statement. As a general rule, permanent impairment is considered to exist in the event of a fall of more than 40% in the listed price of the asset or if a prolonged decline in the price has occurred over a year and a half without a recovery in value.

The Company tests its financial assets that are not carried at fair value for impairment at least at the end of each reporting period. If the recoverable value of the financial asset is lower than its carrying amount, objective evidence of impairment is deemed to exist. Any impairment is recognised in the income statement.

In particular, the criteria used by the Company to calculate valuation adjustments of trade receivables and other receivables, if any, is to carry out a specific analysis of each debtor's solvency.

The Company derecognises financial assets when they expire or when the rights to the cash flows of the financial asset have been assigned and a substantial transfer has occurred of the risks and benefits of ownership.

In contrast, the Company does not derecognise financial assets, and it recognises a financial liability for the same amount as the consideration received in assignments of financial assets in which the risks and benefits of ownership are substantially retained.

Financial liabilities -

Financial liabilities are Company debits and payables arising from the purchase of goods and services in the course of the company's trade, or those not arising from trade, cannot be considered derivative financial instruments.

Debts and payables are initially recognised at the fair value of the consideration received, adjusted for directly attributable transaction costs. These liabilities are subsequently measured at amortised cost.

Liability derivative financial instruments are measured at fair value, with application of the same criteria as for financial instruments held for trading explained in the previous section.

The Company derecognises financial liabilities when the obligations giving rise to them cease to exist. When a debt instrument swap takes place between the Company and a third party, as long as these instruments have substantially different conditions, the Company 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 transaction costs attributable, is recognised in the income statement.

The Company 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.

Equity instruments -

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

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

The treasury shares purchased by the Company during the year are recognised at the value of the consideration delivered in exchange, directly as a lower value of net assets Any gains or losses on the purchase, sale, issue or cancellation of own equity instruments are recognised directly in equity and not in the income statement.

Derivative financial instruments -

The Company uses financial derivatives to manage its exposure to variations in interest rates. All derivative financial instruments, whether or not they are designated as hedging instruments, are carried at fair value: market value in the case of listed securities, or using 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 the efficient part of transactions which classify for hedge accounting are recorded, net of taxes, directly in equity until the underlying or expected transaction occurs, at which point gains and losses are released to the income statement. Any valuation gains and losses on the ineffective portion of the hedge are recognised directly in the income statement.

- 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 income statement.

The Company's directors have estimated the credit risk in the measurement of the derivatives portfolios, with no significant impact seen as at 31 December 2013, as it is mainly covering the maturity in the short term of the majority of the contracted hedging instruments.

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 Company equity is released to the income statement for the period.

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

f) Non-current assets held for sale and discontinued operations

Non-current assets held for sale -

Non-current assets held for sale are measured at cost less costs to sell, the lowest.

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 immediately sold 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.

Inmobiliaria Colonia, S.A. classifies non-current assets as assets held for sale when the Board of Directors or Executive Committee has officially approved the disposal and the sale is considered highly probable within a period of twelve months.

Discontinued operations -

Discontinued operations consist of the sale, disposal in other ways or classification as "held for sale" of a component of the Company, which represents a significant line of business or area that can be considered to be separate from the rest.

For such transactions the Group presents the profit after tax of this discontinued operation under a single heading called "Gain/(loss) from discontinued operations after tax" in the income statement, together with the gain or loss from its recognition at fair value, less costs to sell, and the loss or gain if the asset is disposed of.

In addition, when operations are classified as discontinued, the Company recognises in the aforementioned accounting item the amount of the previous year from activities that are discontinued at the reporting date of the financial statements.

g) Accounts receivable

Accounts receivable are carried at recoverable value, i.e., net of provisions, if appropriate, for past due balances where circumstances warrant their consideration as bad debts. At 31 December 2013 and 2012, there are no unprovisioned at-risk accounts receivable.

h) Functional currency

These financial statements are presented in euros as this is the currency of the main economic area in which the Company operates.

i) Cash and cash equivalents

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

j) Current / non-current

Assets linked to the normal operating cycle that mature in one year or less are generally classified as current, as are other assets whose maturity, disposal or realisation are expected in the short term following the reporting date, financial assets held for sale, except for financial derivatives whose settlement period is greater than one year and cash and cash equivalents. Assets that do not meet these requirements are classified as non-current.

Similarly, current liabilities are those linked to the normal operating cycle, financial liabilities held for sale, except for financial derivatives whose settlement period is greater than one year and, generally, all obligations whose maturity or expiration will occur in the short term. Otherwise, they are classified as non-current.

k) Provisions and contingent liabilities

In preparing the financial statements, the Directors of the Company distinguish between:

- Provisions: payables that hedge current obligations deriving from past events, where cancellation is likely to give rise to an outflow of funds, which are indeterminate with regard to their amount and/or timing of cancellation.

- Contingent liabilities: potential liabilities arising as a consequence of past events, depending on the occurrence of one or more future events over which the Company does not have control.

The financial statements include all 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 in the financial statements, but are rather reported in the notes to the financial statements, in so far as they are not considered remote (Note 14).

Provisions are measures at the current value of the best possible estimate of the amount necessary to cancel or transfer the obligation, taking account of available information on the event and its consequences, and with recognition of any adjustments resulting from the revision of such provisions as a finance cost as they are accrued.

The receivable from a third party upon settlement of the obligation, when the reimbursement is virtually certain, is recognised as an asset, except where there is a legal obligation to outsource the risk discharging the Company of this obligation. In this case, benefits are used to estimate any amount to be recognised as the provision.

l) *Employee benefits*

Termination benefits -

Under current legislation, the Company 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, no provision was recognised in this connection.

m) *Share-based payment transactions*

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

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

The Company 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 20). Services received are measured at the fair value (quoted price) of the shares of Inmobiliaria Colonial, S.A. when the bonus scheme was approved.

n) *Income tax*

Income tax expense (income) includes the amount of current tax payable (receivable) and deferred tax liability (asset).

Current tax is the amount of income taxes payable (recoverable) in the income tax statements for a period. Tax credits and other tax benefits, excluding tax withholdings and payments on account, and tax loss carryforwards effectively utilised in the current period reduce the current income tax expense.

Deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include the temporary differences, measured at the amount expected to be payable or recoverable, between the carrying amounts of assets and liabilities and their tax bases, as well as the carryforward of unused tax losses and unused tax credits. These amounts are recognised by applying to the temporary difference or credit the tax rate that is expected to apply when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and affects neither the accounting profit (loss) nor taxable profit (tax loss). Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognised with a balancing entry in equity.

The accompanying statement of financial position includes those tax credits which it is estimated will probably be recovered within a reasonable time-frame, either because of the performance of the property market itself, or through taxable profits generated by the activities carried out by the Company’s management (Note 17).

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that they will be recovered through future taxable profits.

The Company heads a Group of companies filing consolidated tax returns under tax group no. 6/08 (Note 17).

o) *Income and expenses*

General criteria-

Revenues 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. Such income is measured at the fair value of the consideration received, less discounts and tax.

Sales income is recognised when the significant risks and benefits of ownership of the sold asset have been transferred to the buyer, where daily management of the asset is not exercised and effective control is not held.

Interest received -

Interest received on financial assets is recognised with the effective interest rate method, and dividends are recognised when the right of the shareholder to receive them is declared. Interest and dividends from financial assets accrued subsequent to acquisition are recognised as income in the income statement.

The Company, in accordance with the query of BOICAC 79 related to the recognition of certain income (dividends, income from loans to related parties, etc.) for companies whose corporate purpose is the holding of financial assets, reflects the dividend income from holdings in the subsidiaries Société Foncière Lyonnaise, S.A., and Torre Marenostrum, S.L. as the larger amount under "Revenue" in the income statement (Note 18).

p) *Related party transactions*

The Company's transactions with related parties are all carried out at market prices.

q) *Costs passed on to tenants*

The Company does not consider costs passed on to tenants of its investment properties to be income.

Direct operating expenses associated with rented investment properties during the years ended 31 December 2013 and 2012, included under "Operating profit (loss)" in the accompanying income statement, amounted to 9,627 and 9,328 thousand euros, respectively. Expenses incurred in connection with investment properties that did not generate rental income were not material.

r) *Statement of cash flows (indirect method)*

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

- Cash flows: inflows and outflows of cash and cash equivalents. Cash equivalents are highly liquid, low-risk short-term investments.

- 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 equivalents.

- Financing activities: activities that result in changes in the size and composition of the contributed equity and borrowings that are not operating activities

5. Intangible assets

The movement in this heading of the statement of financial position in 2013 and 2012 is as follows:

	Thousands of euros		
	Cost of computer software	Depreciation of computer software	Total
Balance at 31 December 2011	**4,651**	**(4,509)**	**142**
Additions or charges	204	(93)	111
Balance at 31 December 2012	**4,855**	**(4,602)**	**253**
Additions or charges	3	(105)	(102)
Balance at 31 December 2013	**4,858**	**(4,707)**	**151**

At year end 2013 and 2012, the Company had totally depreciated intangible assets still in use amounting to 4,540 and 4,419 thousand euros, respectively.

6. Property, plant and equipment

Movements in this chapter of the statement of financial position in 2013 and 2012, and the most significant information affecting this heading is as follows:

	Thousands of euros								
	Land and buildings			Technical installations and other PP&E		Total			
	Cost	Accumulated depreciation	Impairment	Cost	Accumulated depreciation	Cost	Accumulated depreciation	Impairment	**Total**
Balance at 31 December 2011	**19,220**	**(1,202)**	**(6,349)**	**9,485**	**(7,759)**	**28,705**	**(8,961)**	**(6,349)**	**13,395**
Additions/charges	-	(48)	(1,951)	26	(340)	26	(388)	(1,951)	(2,313)
Decreases/reversion	-	-	-	(18)	15	(18)	15	-	(3)
Balance at 31 December 2012	**19,220**	**(1,250)**	**(8,300)**	**9,493**	**(8,084)**	**28,713**	**(9,334)**	**(8,300)**	**11,079**
Additions/charges	-	(47)	(649)	151	(321)	151	(368)	(649)	(866)
Decreases/reversion	-	-	-	(9)	9	(9)	9	-	-
Balance at 31 December 2013	**19,220**	**(1,297)**	**(8,949)**	**9,635**	**(8,396)**	**28,855**	**(9,693)**	**(8,949)**	**10,213**

Inmobiliaria Colonial uses two floors of the building located at Avenida Diagonal, 532, in Barcelona and one floor of the building located at Paseo de la Castellana, 52, in Madrid.

At 31 December 2013, the need to recognise an asset impairment charge in the amount of 649 thousand euros on properties for own use was evidenced by the appraisals performed by independent experts. The amount was charged against “Impairment charge and net gain/(loss) on sales of assets” in the accompanying income statement. In the year ended 31 December 2012, an impairment loss of 1,951 thousand euros was recognised on the value of such assets.

At year end 2013 and 2012, the Company had totally depreciated intangible assets still in use amounting to 6,883 and 6,211 thousand euros, respectively.

The Company has no property, plant and equipment outside of Spanish territory and it has no purchase commitments.

7. Investment property

Movements in this chapter of the statement of financial position in 2013 and 2012, and the most significant information affecting this heading is as follows:

	Thousands of euros							
	Undeveloped	Buildings and installations		Investment property in progress	Total			
	Cost	Cost	Accumulated depreciation	Cost	Cost	Accumulated depreciation	Impairment	**Total**
Balance at 31 December 2011	**913,610**	**545,289**	**(232,874)**	**201,551**	**1,660,450**	**(232,874)**	**(167,338)**	**1,260,238**
Additions/charges	-	3,916	(23,899)	2,389	6,305	(23,899)	(141,075)	(158,669)
Transfers	80,096	51,270	(3,444)	(127,922)	3,444	(3,444)	-	-
Balance at 31 December 2012	**993,706**	**600,475**	**(260,217)**	**76,018**	**1,670,199**	**(260,217)**	**(308,413)**	**1,101,569**
Additions/charges	-	5,105	(22,644)	6,238	11,343	(22,644)	(59,242)	(70,543)
Transfers	(120,792)	(61,894)	30,887	62,143	(120,543)	30,887	14,462	(75,194)
Balance at 31 December 2013	**872,914**	**543,686**	**(251,974)**	**144,399**	**1,560,999**	**(251,974)**	**(353,193)**	**955,832**

Changes in 2013

Additions of the year ended 31 December 2013 mainly correspond to the investments made in the rehabilitation of two properties in Madrid (Castellana 43 and Alfonso XII) amounting to 4,062 and 1,828 thousand euros, respectively. In addition, investments were made in a number of properties, amounting to 5,453 thousand euros.

The transfers recognised in “Investment properties in progress” at 31 December 2013 mainly correspond to the transfer from “Non-current assets held for sale” of a property in Barcelona. In accordance with the business plan approved by the Company's directors, this property, currently under rehabilitation, is to be operated under lease by the Company in the coming years.

For its part, the Company has transferred the property on calle Serrano Galvache of Madrid to “Non-current assets held for sale” of the statement of financial position, as the conditions indicated in Note 4.f had been fulfilled. The Company formalised the sale on 19 December 2013 (Note 11).

Changes in 2012

Additions in the year ended 31 December 2012 mainly correspond to investments made in the rehabilitation of a property in Barcelona (Ausiàs March) amounting to 1,320 thousand euros and in Madrid (Martinez Villergas and Castellana 43) amounting to 2,350 thousand euros. In addition, investments were made in a number of properties, amounting to 2,635 thousand euros.

The transfers recognised in “Investment properties in progress” at 31 December 2012 mainly correspond to the completion of rehabilitation and refurbishment of the properties of Martinez Villergas in Madrid and Ausiàs March in Barcelona.

Other disclosures

The surface area (above and under-ground) of investment property and projects under development at 31 December 2013 and 2012, by location and use, is as follows:

Location	Total surface area (m2)					
	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	176,178	184,582	49,617	30,023	255,795	214,605
Madrid	184,281	236,945	15,434	8,440	199,715	245,385
Rest of Spain	458	458	-	-	458	458
	360,917	**421,985**	**65,051**	**38,463**	**425,968**	**460,448**

Uses	Total surface area (m2)					
	For rental		Projects under development		Total	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Offices	241,781	288,116	45,106	15,656	286,887	303,772
Parking	112,954	127,853	19,945	22,754	132,899	150,607
Other	6,182	6,016	-	53	6,182	6,069
	360,917	**421,985**	**65,051**	**38,463**	**425,968**	**460,448**

In 2013 and 2012, income from rent and other income from the Company's investment properties and assets held for sale amounted to 57,730 and 68,494 thousand euros, respectively, and aggregate operating expenses of the same amount to 9,627 and 9,328 thousand euros, respectively.

At 31 December 2013, the need to recognise an asset impairment charge in the amount of 59,242 thousand euros on investment properties was evidenced by the appraisals performed by independent experts. The amount was charged against “Impairment charge and net gain/(loss) on sales of assets” in the accompanying income statement. In the year ended 31 December 2012, an impairment loss of 141,075 thousand euros was recognised on the value of such assets.

The Company has no contractual obligations for the acquisition, construction or development of investment properties or for repairs and maintenance.

The Company has properties with a net carrying amount at 31 December 2013 and 2012 of 214,761 and 304,661 thousand euros, respectively. These properties are under a mortgage guarantee of the loans described in Note 15. The realisation of investment properties, except for those recognised in “Non-current assets held for sale”, are subject to the prior authorisation of the creditor banks.

At year end 2013 and 2012, the Company had totally depreciated investment property still in use amounting to 84,102 and 70,588 thousand euros, respectively.

The Company's policy is to contract insurance policies to cover any risks affecting investment properties. At 31 December 2013 and 2012, these properties were fully insured.

8. Leases

At year-end 2013 and 2012, the Company had contracted with tenants the following minimum irrevocable lease payments under the leases currently in force, and not including the passing on of common costs, future increases from CPI or future revisions of agreed rents:

	Thousands of euros	
	Nominal amount	
Operating leases minimum rents	31 December 2013	31 December 2012
Within one year	47,793	59,294
Between one and five years	77,319	114,792
After five years	29,712	39,207
Total	**154,824**	**213,293**

Income generated by two assets in Madrid is pledged to secure the payables of the subsidiary Abix Service, S.L.U (Notes 1 and 15) with a credit institution. The amount of income generated by said properties in 2013 and 2012 was 2,542 and 3,665 thousand euros, respectively. At 31 December 2013 and 2012, the Company has accounts receivable with Abix Service, S.L.U. of 6,553 and 3,894 thousand euros, respectively, for income generated by the properties, and which have been assigned to the subsidiary by virtue of the terms of a financing agreement with the company. "Non-current investments in group companies - Loans to companies" recognises said amount, which the Company expects to recovery once the investee Abix Service, S.L.U. has fully leased the property (Notes 9 and 19).

9. Non-current investments in group companies and associates and non-current financial investments

The balance of the accounts in "Non-current investments in group companies and associates" and "Non-current financial investments" at year-end 2013 and 2012 are as follows:

	Thousands of euros	
	Non-current financial investments	
	31/12/2013	31/12/2012
Investments in group companies and associates:		
Equity instruments in Group companies and associates	1,176,684	1,149,931
Loans and receivables	6,553	3,894
Total	**1,183,237**	**1,153,825**
Non-current financial investments:		
Loans and receivables	30,501	30,501
Derivatives	-	83
Deposits	5,459	6,331
Total	**35,960**	**36,915**

Equity instruments in Group companies and associates -

The breakdown of equity instruments in Group companies and associates at 31 December 2013 and 2012 is as follows:

2013

	Thousands of euros			
	Opening balance	Additions or charges	Disposals or decreases (*)	Closing balance
Cost:				
Equity instruments in Group companies				
Société Foncière Lyonnaise, S.A.	1,378,716	-	(7,970)	1,370,746
Torre Marenostrum, S.L.	26,894	-	(495)	26,399
Asentia Gestión, S.L.	13	-	-	13
Abix Service, S.L	8,663	-	-	8,663
Asentia Invest, S.L.	3	-	-	3
Total cost	**1,414,289**	**-**	**(8,465)**	**1,405,824**
Impairment:				
Société Foncière Lyonnaise, S.A. (*)	(252,183)	-	35,913	(216,270)
Torre Marenostrum, S.L.	(4,387)	-	186	(4,201)
Asentia Gestión, S.L.	(5)	(1)	-	(6)
Abix Service, S.L	(7,783)	(880)	-	(8,663)
Total impairment	**(264,358)**	**(881)**	**36,099**	**(229,140)**
Net total	**1,149,931**	**(881)**	**27,634**	**1,176,684**

(*)The impairment of the holding in SFL includes 1,409 thousand euros for reversal of the partial sale of shares within the transaction agreement with BBVA, Inmobiliaria Colonial, S.A. and the investee Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U. This amount is recognised in "Gains/(losses) on disposals and others" in the attached income statement (Note 18).

2012

	Thousands of euros			
	Opening balance	Additions or charges	Disposals or decreases	Closing balance
Cost:				
Equity instruments in Group companies				
Société Foncière Lyonnaise, S.A. (SFL)	1,378,716	-	-	1,378,716
Torre Marenostrum, S.L.	26,894	-	-	26,894
Asentia Gestión, S.L.U.	13	-	-	13
Abix Service, S.L.U. (Nota 1)	8,663	-	-	8,663
Asentia Invest, S.L.U.	3	-	-	3
Total cost	**1,414,289**	**-**	**-**	**1,414,289**
Impairment:				
Société Foncière Lyonnaise, S.A. (SFL)	(313,813)	-	61,630	(252,183)
Torre Marenostrum, S.L.	(1,464)	(2,923)	-	(4,387)
Asentia Gestión, S.L.U.	(2)	(3)	-	(5)
Abix Service, S.L.U.	(3,036)	(4,747)	-	(7,783)
Total impairment	**(318,315)**	**(7,673)**	**61,630**	**(264,358)**
Net total	**1,095,974**	**(7,673)**	**61,630**	**1,149,931**

Information related to Group companies and associates at 31 December 2013 and 2012 is disclosed in the Appendix to these notes.

All Group companies and associates are in the business of acquisition, construction, sale, disposal and leasing of properties and their operation, and in any other form allowed by law, including garages and parking, as well as the administration and management of all manner of property assets, except for Segpim, S.A. and Locaparis, S.A.S (both companies are in the SFL Group), which are in the business of marketing properties and providing services.

In 2013, and as part of the restructuring of the loan of the investee Desarrollos Urbanísticos Entrenúcleos 2009, S.L. (hereinafter, DUE) explained in Note 14 herein, the Company has sold 143,765 shares held in the investee SFL. This disposal has resulted in the derecognition of the cost of the holding, amounting to 7,970 thousand euros and the reversion of the related impairment, amounting to 1,409 thousand euros.

In 2013, the Company recognised the reversion of the impairment of the value of the financial holding of SFL, amounting to 34,504 thousand euros in order to adjust the value of the holding to its fair value at 31 December 2013. The fair value of the holding has been determined on the basis of the net asset value (NAV) of SFL at year end, which amounted to 46.69 euros per share. The average price of SFL shares in December 2013 was 38.61 euros per share. In 2012, the Company recognised the reversion of the impairment of the value of the financial holding, amounting to 61,630 thousand euros.

At 31 December 2013 and 2012, the holdings in SFL and Torre Marenostrum, S.L. are pledged to secure the syndicated loan described in Note 15. Direct or indirect financial holdings in Asentia Project, S.L.U, Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U. and Riofisa, S.A.U., are pledged to secure the loans held by Asentia Project, S.L.U. The financial holding in Abix Service, S.L.U. is pledged to secure this company's payables with credit institutions. The indirect holding in Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U. is pledged to secure this company's payables with credit institutions.

Loans and other receivables with Group companies and associates -

The breakdown of loans and other receivables with Group companies and associates at 31 December 2013 and 2012 is as follows:

	Thousands of euros	
	31/12/2013	31/12/2012
Equity instruments in Group companies		
Cost:		
Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U.	70,827	-
Abix Service, S.L.U. (Nota 8)	6,553	3,894
Total cost	**77,380**	**3,894**
Impairment:		
Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U.	(70,827)	-
Total impairment	**-**	**-**
Net total	**6,553**	**3,894**

As a result of the restructuring of the financial debt of the investee DUE signed on 20 June 2013, and with the aim of eliminating any obligation and recourse for the Company in relation to said debt, additional financing has been granted to the aforesaid investee of 64,527 thousand euros, structured through a number of transactions described in Note 14.

In accordance with the terms of this refinancing agreement, the Company has granted additional credit to DUE 2009, S.L. of 6,300 thousand euros in order to cover the costs related to the works pending execution of the UE-1 and which correspond to work executed by the investee up to 31 December 2013.

The Company had recognised, at 31 December 2012, a risk provision amounting to 85,000 thousand euros to hedge guarantees delivered by the Company to the financial institution of the investee DUE 2009, S.L., as the execution of the same was envisaged for the short term (Note 14). In 2013, and following the granting of the aforementioned credit, the amount of 70,827 thousand euros of the provision was carried over to “Impairment of financial investments in group companies and associates” to adjust the value of the credit granted to its recoverable value, with consideration of the equity position of the aforesaid investee (Note 14). At 31 December 2013, the investment has been fully written off.

Other non-current financial assets -

“Other non-current financial assets” in the accompanying statement of financial position includes the receivable from the previous shareholders of the Company 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-monetary 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. These receivables are secured by a first demand guarantee issued by Banco Popular.

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

At 31 December 2012, the guaranteed receivable amounted to 30,501 thousand euros, following recognition of impairment therein in 2012 in “Losses, impairment and change of trade provisions” of the attached income statement.

This heading also includes the amount of 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.

10. Derivative financial instruments

Risk management policy objectives -

Qualitative information -

Colonial S.A.'s risk management policies are structured as follows:

- Liquidity risk: in 2010, the Company successfully refinanced its debt. The purpose of this agreement was to recapitalise the Company, 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 Company is in the process of negotiating a prompt conclusion for the transactions referred to in Note 2.h so as to restructure its borrowings and become viable as a business.

- Interest rate risk: the Company has taken out its debt at floating rates, i.e., linked to 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.

- Counterparty risk: the Company mitigates this risk by using top-tier financial institutions to underwrite and arrange it's financing.

- Refinancing risk: the Group's financial structure warrants diversification of its sources of financing by entity, product and maturity. Consequently, the Company is negotiating with its main lenders in order to revise the terms of its borrowings, primarily those which mature in December 2014 (Note 2.h).

- Credit risk: the Company 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.

Quantitative information -

The average life of the Company's hedge portfolio at 31 December 2013 and 2012 is 1.3 and 1.7 years.

A sensitivity analysis to interest rate risk is presented below. Increases and decreases have been applied to the interest rate on the Company's debt structure at 31 December 2013 and 2012, including financial instruments, and the impact of non-controlling interests and their tax effect on the Company's income statement and its equity, as follows:

At 31 December 2013

Revenue / (expense) Increase / (decrease)	Thousands of euros		
Change in basis points on interest rate	Impact Equity	Impact on income statement	% of recognised expense
+25bp	39	(3,341)	5.50%
+50bp	164	(6,686)	11.00%
+75bp	422	(10,035)	16.51%
+100bp	849	(13,388)	22.02%

In 2013, no sensitivity shown from negative changes because resulting interest rates are negative.

At 31 December 2012

Revenue / (expense) Increase / (decrease)	Thousands of euros		
Change in basis points on interest rate	Impact Equity	Impact on income statement	% of recognised expense
-50bp	(1,163)	6,666	10.32%
-25bp	(622)	3,852	5.96%
+25bp	952	(4,004)	6.20%
+50bp	2,343	(8,007)	12.39%
+75bp	4,187	(11,955)	18.50%
+100bp	6,467	(15,815)	24.48%

In 2012, no sensitivity shown from negative changes of 75
100 basis points because resulting interest rates are negative.

Derivative financial instruments -

At 31 December 2013 and 2012, the Company had hedging derivative financial instruments for nominal amount of 1,425,233 and 1,725,000 thousand euros, respectively, with an effective hedge rate of 72% and 87%, respectively. The fair value at 31 December 2013 and 2012 is as follows:

At 31 December 2013

Derivative financial instrument	Counterparty	Interest rate	Maturity	Thousands of euros	
				Nominal amount	Fair value – Asset / (Liability)
Step-down swap	BBVA	3,30%	2018	125,233	(8.638)
Cap	Banco Popular	3,25%	2014	30,000	-
Cap	CA-CIB	3,25%	2014	140,000	-
Cap	CA-CIB	1,88%	2014	150,000	1
Cap	Hypothekenbank Frankfurt A,G,	2,50%	2014	150,000	1
Cap	CaixaBank	2,50%	2014	100,000	-
Cap	CaixaBank	3,25%	2014	140,000	-
Cap	CaixaBank	3,25%	2014	50,000	-
Cap	RBS	2,50%	2014	250,000	1
Cap	RBS	3,25%	2014	140,000	-
Cap	RBS	1,88%	2014	150,000	1
Total at 31 December 2013				**1,425,233**	**(8,634)**
-Third parties:				275,233	(8,637)
- Related parties: (Note 19)				1,150,000	3

At 31 December 2012

Derivative financial instrument	Counterparty	Interest rate	Maturity	Thousands of euros	
				Nominal amount	Fair value – Asset / (Liability)
Plain vanilla swap	Deutsche Bank	3.72%	2013	400,000	(13.673)
Collar	Deutsche Bank	Floor 3.85% 4.45% Cap	2013	25,000	(461)
Cap	Banco Popular	3.25%	2014	30,000	1
Cap	CA-CIB	3.25%	2014	140,000	5
Cap	CA-CIB	1.88%	2014	150,000	17
Cap	Hypothekenbank Frankfurt A.G.	2.50%	2014	150,000	9
Cap	CaixaBank	2.50%	2014	100,000	6
Cap	CaixaBank	3.25%	2014	140,000	5
Cap	CaixaBank	3.25%	2014	50,000	2
Cap	RBS	2.50%	2014	250,000	16
Cap	RBS	3.25%	2014	140,000	5
Cap	RBS	1.88%	2014	150,000	17
Total at 31 December 2012				**1.725.000**	**(14.051)**
-Third parties:				425.000	(14.134)
- Related parties: (Note 19)				1.300.000	83

At 31 December 2013 and 2012, 93% and 100%, respectively, of the nominal amount of the Company's derivatives portfolio was compliant with the requirements of the Measurement Standard of Financial Instruments of the Spanish General Chart of Accounts. Hence, mark-to-market (MtM) differences are recognised in equity.

At 31 December 2013 and 2012, the impact on the income statement of recognition of hedging derivative financial instruments amounted to 294 and 134 thousand euros of financial expense, respectively.

At 31 December 2013 and 2012, the accumulated impact in equity of recognition of derivative financial instruments is negative 5,425 and 15,780 thousand euros, respectively (Note 13).

As a consequence of the debt refinancing agreement between BBVA and the companies Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U, Inmobiliaria Colonial and Asentia Project, the Company assumed in 2013 the position of Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U. in the hedging contract with said financial institution. The market value at the date of signature of the agreement was 11,787 thousand euros (Note 14).

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 each calculation date.

At 31 December 2013 and 2012, the market value of hedging instruments amounted to 8,638 and 14,134 thousand euros of financial liability, 4 and 83 thousand euros of financial asset, including 172 thousand euros of accrued interest payable at 31 December 2012.

All these derivatives have been treated as cash flow hedges.

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 consists of calculating the statistical correlation between the benchmark interest rates at each measurement date for the derivative and the hedged liability. This is applicable for the portion of the underlying liability hedged by the derivative, irrespective of the nominal amount of the hedge, which in any case must be adjusted to reflect the nominal amount of the hedge.

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

11. Non-current assets held for sale

A detailed breakdown of the assets classified under this heading is as follows:

	Thousands of euros							
	Investment properties held for sale				Financial investments held for sale			Total
	Cost	Accumulated depreciation	Impairment	**Total**	Cost	Impairment	**Total**	
Balance at 31 December 2011	**253,175**	**(27,272)**	**(81,093)**	**144,810**	**351,210**	**(351,210)**	**-**	**144,810**
Additions/charges	1,073	-	(23,105)	**(22,032)**	-	-	-	**(22,032)**
Decreases/applications	(32,928)	5,010	5,092	**(22,826)**	-	-	-	**(22,826)**
Transfers	-	-	-	-	(351,207)	351,207	-	-
Balance at 31 December 2012	**221,320**	**(22,262)**	**(99,106)**	**99,952**	**3**	**(3)**	**-**	**99,952**
Additions/charges	1,076	-	(23,976)	**(22,900)**	-	-	-	**(22,900)**
Decreases/applications	(215,041)	31,195	85,717	**(98,129)**	-	-	-	**(98,129)**
Transfers	110,105	(20,449)	(14,462)	**75,194**	-	-	-	**75,194**
Balance at 31 December 2013	**117,460**	**(11,516)**	**(51,827)**	**54,117**	**3**	**(3)**	**-**	**54,117**

Investment properties held for sale

Changes in 2013

On 31 October 2013, the Company sold parking places of a property in Madrid for a total price of 7,200 thousand euros.

As part of the debt restructuring transaction of the investee Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U. explained in Note 14, the Company has sold to a financial institution two properties in Barcelona for a total price of 17,662 thousand euros.

As mentioned in Note 7, transfers in “Non-current assets held for sale” at 31 December 2013 mainly correspond to the carrying over to “Investment properties in progress” of a property in Barcelona.

In this year, the property in Madrid was carried over to “Non-current assets held for sale”. On 19 December 2013, the Company, together with the subsidiaries Asentia Project, S.L.U, and Riofisa, S.A.U. reached an agreement with the creditor Sociedad de Gestión de Activos Procedentes de la Restructuración Bancaria (Sareb) that involved the disposal of the property in Madrid owned by Inmobiliaria Colonial, S.A. and an empty lot owned by Asentia Project, S.L.U. in Dos Hermanas, Seville, for 73,000 and 7,419 thousand euros, respectively. With the transfer of this asset, the mortgage loan with Sareb associated with the sold property has been cancelled (note 15).

In relation to this sale, the Company cancelled the provision for risks recognised in non-current liabilities amounting to 28,990 thousand euros (Note 14), of which 20,449 thousand have been allocated in the year to “Non-current assets held for sale” to adjust the value of the property to its recoverable value.

Changes in 2012

In 2012, the Company sold six sub-properties belonging to a property in Madrid, for a total price of 20,300 thousand euros.

Other disclosures

Based on external appraisals of the Company's assets at year-end 2013 (Note 4.c), the Company recorded losses of 3,527 thousand euros for the impairment of certain investment properties held for sale. In the year ended 31 December 2012, an impairment loss of 23,105 thousand euros was recognised on the value of such assets.

The Company has properties recognised in "Non-current assets held for sale" with a net carrying amount at 31 December 2013 and 2012 of 8,602 and 26,792 thousand euros, respectively, which are under a mortgage guarantee of the loans described in Note 15.

The Company also had a property under mortgage to secure a loan of a third party, amounting to 8,420 thousand euros at 31 December 2012. At the date of authorisation for issue of these financial statements, the guarantee had been cancelled.

In accordance with the business plan approved by the Directors, the Company maintained in 2013 its commitment to sell the aforesaid assets and it is continuing its efforts to dispose of them within one year.

Financial holdings

"Financial holdings" reflects the cost of the financial holding in the company Asentia Project, S.L.U., the parent of the land and development business of the Colonial Group (Note 1), in which the Company holds 100% of the share capital.

Such holding was fully written off at year-end 2011. On 12 June 2012, Asentia Project, S.L.U. carried out a capital reduction of 35,039 thousand euros by reducing the nominal value of each of its shares, in order to offset the losses from previous years. As a result of the transaction, the share capital of that company was reduced to 3 thousand euros at 31 December 2012.

As indicated in Note 14, at 31 December 2013 and 2012, the Company has recognised a provision of 37,293 and 155,767 thousand euros, respectively, under "Provisions for contingencies" of the attached statement of financial position, to cover the financial guarantees delivered to the Asentia sub-group (Note 4.k).

12. Current financial assets and other receivables

Current financial assets-

The breakdown of this heading at 31 December 2013 and 2012 is as follows:

	Thousands of euros	
	Current financial assets	
	31/12/2013	31/12/2012
Current financial assets:		
Current equity instruments	21	12.255
Other	870	866
Other receivables:		
Cost	152.189	152.189
net impairment charges	(152,189)	(152,189)
Total	**891**	**13.121**

"Current financial assets" at 31 December 2012 included the Company's financial investment in Fomento de Construcciones y Contratas, S.A. (FCC), and represents 0.99% of the latter's share capital. This investment was considered an available-for-sale financial asset (Note 4.e).

On 24 September 2013, the Company sold nearly all the shares held in FCC for 17,418 thousand euros, net of fees. At 31 December 2013, the Company held 20 FCC shares in portfolio.

In 2012, the Company recognised impairment of its holding in FCC of 20,504 thousand, and it carried the recognised impairment in equity to the income statement, as the impairment was considered to be permanent (Notes 4.e, 13 and 18).

Lastly, at 31 December 2013 and 2012, the shares of Fomento de Construcciones y Contratas, S.A. were pledged to secure the syndicated loan (Note 15).

Other receivables-

The amounts owed by Nozar, S.A. and NZ Patrimonio, S.L.U., resulting from the cancellation of purchase contracts signed in July 2007 due to breach of compliance with the suspensive clauses, are recognised under “Other receivables” of the attached statement of financial position, and totalled 152,189 thousand euros, including accrued interest.

Nozar, S.A. and NZ Patrimonio, S.L.U. are currently in bankruptcy proceedings; consequently, at 31 December 2013 and 2012, the accompanying statement of financial position includes an impairment for the entire amount of these companies’ trade receivables.

13. Equity

Share capital

The Company’s share capital at 31 December 2011 comprised 225,918,009 fully subscribed and paid-in shares with a par value of 1 euro each, All shares are in book-entry form.

In January 2012, additional equity was issued in response to the 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 par 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 the 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 par 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 Company’s share capital at 31 December 2013 was represented by 225,918,690 fully subscribed and paid up shares with a par value of 1 euro each, All shares are in book-entry form.

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

31 December 2013

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

(*) Information dated 31 December 2013.
(**) Investment held through The Royal Bank of Scotland Group, PLC.

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

- On 14 January 2014, Inmobiliaria Espacio, S.A. (a company in 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 the company 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. reduced its stake to 4.9%.
- On 26 February 2014, Aguila Ltd. (company of the Santo Domingo Family) acquired a 3.0% stake.

At the date of authorisation for issue of these financial statements, the significant holdings in the share capital of the Company would, therefore, be as follows:

	% of equity		
	Direct	Indirect	Total
Name or corporate name of the 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.
(**) Investment held through The Royal Bank of Scotland Group, PLC.

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

On 21 June 2011, authorisation was given at the Company's general shareholders' meeting 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.

On 21 January 2014, the General Shareholders' Meeting of the Company authorised the Board of Directors to reduce the share capital by 169 million euros in order to increase voluntary reserves by decreasing the nominal value of all shares from 1 euro to 0.25 euros per share, and to increase the share capital by up to 1,000 million euros, under the terms described in Note 2.h.

The Company has issued warrants convertible into shares of Inmobiliaria Colonial, S.A. in the amount of 298,333 thousand euros to guarantee bank borrowings taken on by Asentia Project, S.L.U. and Abix Service S.L.U. (Note 14 and 15).

Legal reserve

Under the Capital 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 can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can be used only to offset losses, and it may be used for this purpose only if no other sufficient reserves are available.

Voluntary reserves

The Company has set aside voluntary reserves of 1,078,405 thousand euros, 47,948 thousand euros of which are not freely available according to the shareholders' resolution at the General Meeting held on 21 June 2011.

In addition, on 21 January 2014, the General Shareholders' Meeting of the Company authorised the Board of Directors to reduce the share capital by 169 million euros in order to increase voluntary reserves by decreasing the nominal value of all shares from 1 euro to 0.25 euros per share, and to increase the share capital by up to 1,000,000 thousand euros, under the terms described in Note 2.h.

On 17 February 2014, the Company recorded the capital reduction referred to above in the Barcelona Companies Register (Note 23).

Treasury shares

The treasury shares held by the Company at 31 December 2013 and 2012 are as follows:

No. of shares	1,710,000
% of equity	0.757%
Nominal amount (€ '000)	1,710
Carrying amount (€ '000)	38,280

In 2012, the Company acquired 1,410,764 treasury shares for an aggregate amount of 1,494 thousand euros.

Other equity instruments

As part of the 14 September 2008 debt restructuring agreement, the Company issued bonds convertible into Company shares totalling 1,310,797 thousand euros and corresponding to 13,107,965 convertible bonds maturing five shares years and six months from the issue date, of which 15,184 bonds were pending conversion at 31 December 2013. On 14 March 2014, the totality of the convertible bonds will be totally redeemed.

The breakdown of bondholders of the free conversion tranche and interest accrued 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	1,929	-

Conversion of all outstanding bonds of the Company would result in the issuance of 80,398 new shares.

On 28 December 2012, the Company ratified in a public deed the increase in the par value of the bonds as a result of the capitalisation of interest accrued during the last interest period, which began on 30 December 2011 and ended on 30 December 2012. The increase amounted to 7.24 euros per share, bringing the par value per bond to 126.51 euros.

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

On 30 December 2013, the Company ratified in a public deed the increase in the par 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 share, bringing the par value per bond to 132.34 euros.

On 30 December 2013, the last voluntary conversion period of convertible bonds ended. As a result, 358 convertible bonds were redeemed and share capital and the share premium were increased by 1 thousand euros, by means of the issue of 1,890 new shares (at a par value of 0.25 euro each plus a share premium of 24.75 euros per share). On 17 February 2014, the capital increase referred to above was entered in the Companies Register (Note 23).

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 Company shares.

Valuation adjustments recognised in equity - financial instruments

This heading of the attached statement of financial position contains the net changes in the value of financial derivatives and those designated as hedging instruments in hedging of cash flows and changes in the fair value of available-for-sale financial assets (Note 12).

The changes in this heading for the years 2013 and 2012 were as follows:

	Thousands of euros
Balance at 31 December 2011	**(26,512)**
Changes in the fair value of hedges	2,822
Changes in the fair value of available-for-sale financial assets	7,910
Balance at 31 December 2012	**(15,780)**
Changes in the fair value of hedges	10,355
Balance at 31 December 2013	**(5,425)**

14. Provisions and contingencies

Provisions

The breakdown of current and non-current provisions of the statement of financial position at year-end 2013 and 2012, and the main changes in these years, are as follows:

	Thousands of euros				
	Current	Non-current			
	Provisions for risks	Provisions for personnel	Provision for taxes	Provisions for risks	Total
Balance at 31 December 2011	**-**	**5**	**1,364**	**7,031**	**8,400**
Additions	-	154	-	155,767	155,921
Decreases or derecognitions	-	(13)	(1,364)	(7,000)	(8,377)
Balance at 31 December 2012	**-**	**146**	**-**	**155,798**	**155,944**
Additions	20,126	-	-	1,866	1,866
Decreases or derecognitions	-	(12)	-	(49,492)	(49,504)
Transfers (Notes 9 and 11)	-	-	-	(70,827)	(70,827)
Balance at 31 October 2013	**20,126**	**134**	**-**	**37,345**	**37,479**

Provision for taxes-

On 7 December 2011, the Company was notified of a decision on appeal for the tax inspection for corporate income tax of 1996, in which the Supreme Court handed down an unfavourable judgement. At 31 December 2012, the Company paid the fine.

Provision for contingencies - Non-current

“Provision for contingencies” primarily includes the fair value of financial guarantees provided to subsidiaries of the Asentia sub-group and to subsidiary Abix Service, S.L. The breakdown of the provisioned amounts, and the changes, is as follows:

a) Conversion of warrants

The investee Asentia Project, S.L.U. has payables with credit institutions secured by warrants convertible into shares of Inmobiliaria Colonial, S.A. of up to 275,000 thousand euros 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 be insufficient to fully repay the Convertible Facility. The exercise price of the warrants is the higher of: i) 12 euros per share; ii) the par value of the Company’s shares; or iii) the arithmetic mean of the Company’s share price at close of trading for the 30 trading sessions prior to notification of the warrant exercise.

At 31 December 2012, the Company recognised in “Non-current provisions” of the statement of financial position a provision of 41,777 thousand euros in order to hedge the fair value of the delivered guarantees by means of the warrants of Asentia Project described in the preceding paragraph. The provision amount was determined on the basis of the number of Company shares to be delivered (22,916,667 shares), at fair value, determined on the basis of the property NAV of Inmobiliaria Colonial, S.A. at year end. At 31 December 2013, the Company reverted 20,029 thousand euros of this provision in accordance with the level of property NAV at the reporting date, leaving a provision under this item of 21,748 thousand euros.

The investee Abix Service, S.L.U. has a loan with the financial institution ING Director that is secured by warrants convertible into shares of Inmobiliaria Colonial, S.A. of up to 23,333 thousand euros, at the choice of the lenders (i) at the maturity date or (ii) in the event of breach of covenants. The exercise price of the warrants is the higher of: i) 12 euros per share; ii) the par value of the Company’s shares; or iii) the arithmetic mean of the Company’s share price at close of trading for the 30 trading sessions prior to notification of the warrant exercise.

At 31 December 2013, the Company recognised 1,845 thousand euros to hedge the fair value of the delivered guarantees, by means of the aforesaid Abix warrants. The provision amount was determined on the basis of the number of Company shares to be delivered (1,944,444 shares), at fair value, determined on the basis of the property NAV of Inmobiliaria Colonial, S.A. at year end.

b) Guarantees delivered in restructuring of financial debt of DUE, S.L.U.

At 31 December 2012, the subsidiary Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U. had a loan of 150,000 thousand euros, which was secured by a mortgage on the land held by the company in Dos Hermanas, Seville, and the pledge of a stake in the aforesaid subsidiary.

On 19 February 2010, certain agreements were reached with BBVA under Inmobiliaria Colonial, S.A.’s Framework Refinancing Agreement to expand the loan by up to 23,100 thousand euros to cover the urban development costs of UE1 and UE2 in Dos Hermanos, the finance charges related to the loan and the arrangement of a hedge on the full amount of the loan, entered into on 31 March 2010. At 31 December 2012, the total drawn down amounted to 152,003 thousand euros.

The financing agreement with BBVA included a previously agreed business plan. If the planned disposals are not carried out, provided that there are no undrawn amounts of the loan, Inmobiliaria Colonial, S.A. would have to make contribution certain amounts of funds to meet the requirements of the business plan. At 31 December 2012, if none of the planned sales materialized, 89,000 thousand euros would have been needed to comply with the business plan, once the cost reduction negotiated with the Council had been applied. The loan included early repayment clauses: i) if there were considerable delays in the business plan that prevent it from being executed,

ii) if there were delays in the business plan greater than three months for reasons attributable to Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U., Asentia Project, S.L.U or Inmobiliaria Colonial, S.A., iii) if Inmobiliaria Colonial, S.A. failed to meet its obligations to contribute funds if necessary, and iv) if there was a change of control.

On 20 December 2012, the subsidiary Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U. and the City Council of Dos Hermanas, Seville, signed a new urban planning and management agreement to reschedule the execution of development work of UE1 and UE2, including a new plan of stages in order to adjust the arrangement to the current situation and needs of the town. The agreement was definitively approved in 2013.

At 31 December 2012, the Company recognised a provision of 85,000 thousand euros to hedge the financial guarantees delivered to the financial institution of the subsidiary DUE and which, owing to the equity position of the latter at 31 December 2012, the Company had undertaken the commitment to assume.

On 20 June 2013, the investee, together with Asentia Project, S.L.U. and Inmobiliaria Colonial, S.A. reached an agreement with the lender entailing, inter alia, the cancellation of debt 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, except for the guarantees described in Note 15. Recourse would be limited to the investee Asentia Project, S.L.U. and to the pledge of equity interests it holds in Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U.

The partial cancellation of the debt by Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U., 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 by the Company, for 64,527 thousand euros, via:

    - Assumption by the Company of DUE 2009's contractual position under the hedging contract, with a value of approximately 11,787 thousand euros (Note 10)

    - Transfer to BBVA of 143,765 shares in the subsidiary SFL, for 6,512 thousand euros (Note 9)

    - Transfer to BBVA of the two properties owned by the Company and located at calle Samontá in Sant Joan Despí (Barcelona), with a transaction value of 17,662 thousand euros (Note 11).

    - Grant by BBVA of additional financing to the Company, for 28,566 thousand euros (Note 15), of which 18,000 thousand euros are collateralised by a building in Barcelona, and 10,566 thousand euros are mandatorily convertible into Company shares, subject to certain conditions.

- The subsidiary Asentia Project, S.L.U. subscribed a share capital increase in DUE 2009 through the monetary contribution of 10,473 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 Company as follows:

- Up to 20,000 thousand euros to be used to grant financing to DUE 2009 in order to cover the costs of the development work pending of the UE-1. The financing will be drawn down by the Company as DUE documents the execution of development work.

- 10,000 thousand euros for financing restoration works in the Travessera de Gràcia i Amigó property and payment of associated interest.

Lastly, once the foregoing transactions have been executed, the refinancing of the loan and pending mortgage credit in DUE has been finalised, amounting to a total drawn down of 92,095 thousand euros.

As a result of the signing of the aforementioned restructuring transaction, the Company has recognised a receivable arising from the granting of the aforementioned additional financing to DUE of 64,527 thousand (Note 9). The loan is convertible into a participatory loan provided the company DUE 2009, S.L. is in the process of winding up, accruing a contingent interest calculated as the lowest of the following amounts:

- the amount of interest that would have accrued on the receivable under the Credit if interest had accrued at a fixed rate of 10%, based on a 365-day year, and such interest had capitalised annually, thus increasing the principal, or

- the amount resulting from applying to the selling price remainder of the properties calculated as stated above, the percentage that the Credit principal represents at accrual of contingent interest on the aggregate principal of the credit and of the novated loan at that point.

  Contingent interest shall accrue and be paid, as applicable, simultaneously in the case of (i) sale of one third of the properties (including in case of exercise of the sale operation or as part of the auction process envisaged therein); (ii) effective collection of the sale price by DUE 2009, S.L., and (iii) once all payables of BBVA and Colonial to DUE 2009, S.L. have been fully paid and all the Borrower's liabilities have been cancelled.

At 31 December 2013, no finance expense under this item is recognised.

The provision for contingencies at year end for this item fully corresponds to the development costs of UE-1 to be assumed by the Company, of up to 20,000 thousand euros. Such amount was included in the provision for contingencies at 31 December 2012. As noted above, the Company has obtained a credit facility from BBVA to cover these items. At 31 December 2013, 6,300 thousand euros have been drawn down to fund the development costs of the UE-1, which is being carried out by the subsidiary DUE 2009, S.L. (Notes 9 and 15).

Lastly, at 31 December 2013, the Company has reclassified 70,827 thousand euros that, at 31 December 2012, were recognised as a provision for contingencies for “Impairment of financial investments in group companies and associates” to adjust the value of the credit to its recoverable value, in view of the equity position of the subsidiary.

c) *Other guarantees*

Under the financial guarantee granted to a financial institution of the Asentia sub-group, the Company had the obligation to allocate the excess cash proceeds from a future sale of the Company asset in Madrid and, following cancellation of the financial debt associated to the asset, repay the debt of the Asentia Project, S.L. and Riofisa S.A.U. (up to 40,000 thousand euros). In view of the equity position of Asentia Project, S.L. at year-end 2012, the Company directors considered execution of said guarantees to be likely. Accordingly, they recognised 28,990 thousand euros for the difference between the recoverable value of the asset, which was determined on the basis of appraisals by independent experts, and the amount of the loan associated to the assets.

As explained in Note 11 to the attached financial statements, on 19 December 2013, the Company sold the aforesaid asset for 73,000 thousand euros. Consequently, prior to the sale, the Company reclassified the recognised provision for contingencies of 28,990 thousand euros and it has been allocated to hedge the fall in value of the property under the final sale price.

Provision for contingencies - Current

At year-end 2013, and with the aim of recognising any impacts following satisfactory completion of the debt restructuring process described in Note 2.h, the Company Directors have decided to recognise in “current provisions” of the attached financial statements a provision of 20,126 thousand euros corresponding to an estimate of the diverse costs associated to the restructuring process.

Guarantees extended to third parties

On 24 November 2004, an agreement was signed between the Company 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 Company 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.

Contingent assets

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

- A corporate liability lawsuit against certain former directors in relation to the purchase of assets by the Company 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 liability lawsuit against certain former directors in connection with the losses caused by the acquisition of shares of Riofisa in 2007.

- A corporate liability lawsuit against certain former directors in connection with the purchase of treasury shares between March and December 2007, both months inclusive.

Other contingencies

Since February 1999, the Company has been awaiting a ruling on various suits brought in connection with a purchase agreement signed for the acquisition of the building located at Francisco Silvela, 42 in Madrid for 21,799 thousand euros, which are recognised in “Trade and other payables”.- 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, the rulings on certain of the appeals presented were pending; however, the advisors who are handling this matter believe that these appeals pose negligible risk to the Company.

On 21 December 2007, the Company 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, which Inmobiliaria Colonial, S.A. paid in December 2007, and the assumption by the Company 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 cash 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, the Company understood that it was not possible to do so without making a higher outlay in keeping with the agreed terms, which is why it terminated the promise to purchase agreement. Grupo Monteverde did not accept the termination and initiated court proceedings against the Company (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 condemning Inmobiliaria Colonial, S.A. to raise the shares in the company in question to public deed and to assume certain 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 the sentence before the Madrid appellate courts.

At 31 December 2012, the Company 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.

In February 2013, the Company filed a brief petitioning for termination of the proceedings due to ex-post lack of cause, as Proyecto Kopérnico's insolvency administrators had awarded that company's property to third parties, despite the opposition of Monteverde.

On 25 March 2013, the Company 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 petitions filed against it and from bearing any costs, a judgement that has firmed.

In 2013, the Company has derecognised in the statement of financial position the amount of the advance and its impairment of value.

15. Bank borrowings

At 31 December 2013 and 2012, the breakdown by maturity of "Bank borrowings" is as follows:

2013

	Thousands of euros							
	Current	Non-current						
	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	Total
Bank borrowings								
Loans:	**77,514**	**9,793**	**15,309**	**50,198**	**62,951**	**-**	**138,251**	**215,765**
- Third parties	77,514	9,793	15,309	50,198	62,951	-	138,251	215,765
Syndicated loans	**1,759,323**	**-**	**-**	**-**	**-**	**-**	**-**	**1,759,323**
- Third parties	1,030,792	-	-	-	-	-	-	1,030,792
- Related parties (*) (**)	728,531	-	-	-	-	-	-	728,531
Fees and interest	**21,355**	**-**	**-**	**-**	**-**	**-**	**-**	**21,355**
- Third parties	12,816	-	-	-	-	-	-	12,816
- Related parties	8,539	-	-	-	-	-	-	8,539
Debt arrangement					-	-		
expenses	**(7,076)**	**(100)**	**(97)**	**(95)**	**-**	**-**	**(292)**	**(7,368)**
Total	**1,851,116**	**9,693**	**15,212**	**50,103**	**62,951**	**-**	**137,959**	**1,989,075**
- Third parties	1,114,046	9,693	15,212	50,103	62,951	-	137,959	1,252,005
- Related parties (Note 19)	737,070	-	-	-	-	-	-	737,070

(*) In November 2013, the Royal Bank of Scotland (represented in the shareholder structure by HM Treasury (Note 13)) sold its receivable. Hence, the aforementioned debt is no longer considered to be a related-party balance).

(**)In 2013, Commerzbank, A.G sold its stake in the company's capital and it is no longer considered a related-party balance. In addition, subsequent to the reporting date, Commerzbank, A.G. sold its receivable (Note 23).

2012

	Thousands of euros							
	Current	Non-current						
	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	Total
Bank borrowings								
Loans:	**35,893**	**74,898**	**43,345**	**25,689**	**64,948**	**22,250**	**231,130**	**267,023**
- Third parties	35,893	74,898	43,345	25,689	64,948	22,250	231,130	267,023
Syndicated loans	**-**	**1,714,163**	**-**	**-**	**-**	**-**	**1,714,163**	**1,714,163**
- Third parties	-	295,170	-	-	-	-	295,170	295,170
- Related parties	-	1,418,993	-	-	-	-	1,418,993	1,418,993
Fees and interest	**18,811**	**-**	**-**	**-**	**-**	**-**	**-**	**18,811**
- Third parties	3,448	-	-	-	-	-	-	3,448
- Related parties	15,363	-	-	-	-	-	-	15,363
Debt arrangement						-		
expenses	**(7,221)**	**(7,139)**	**(116)**	**(100)**	**(94)**	**-**	**(7,449)**	**(14,670)**
Total	**47,483**	**1,781,922**	**43,229**	**25,589**	**64,854**	**22,250**	**1,937,844**	**1,985,327**
- Third parties	32,120	362,929	43,229	25,589	64,854	22,250	518,851	550,971
- Related parties (Note 19)	15,363	1,418,993	-	-	-	-	1,418,993	1,434,356

In 2013, some of the Company's debts underwent changes in ownership, although the Company has no evidence that these transactions involved amounts that differed significantly from the debts' fair value.

Loans -

At 31 December 2013, the Company had mortgage-secured loans of certain investment properties and assets held for sale amounting to 205,199 thousand euros (2012: 258,690 thousand euros).

At the date of the authorisation of these consolidated financial statements for issue, the Company has reached agreements with some financial entities with which it has bilateral loans, in order to define a new payment schedule for the payments falling due in 2013 and to adjust those maturities to the Company's available cash flows.

At 31 December 2013, there is a mortgage loan on two properties described in Note 8, which is subject to the fulfilment of certain financial ratios. At the date of authorisation for issue of these financial statements, such ratios are met.

The breakdown of the mortgage guarantees extended is as follows:

	Thousands of euros			
	2013		2012	
	Loan	Market value of collateral	Loan	Market value of collateral
Investment property (*) - rentals (Notes 7 and 11)	205,199	233,363	258,690	331,452
Total	**205,199**	**233,363**	**258,690**	**331,452**

(*) Includes investment properties recognised in "Non-current assets held for sale".

The Company has drawn down other loans not secured by mortgage amounting to 10,566 and 8,333 thousand euros at 31 December 2013 and 2012, respectively.

In addition, the Group has underwritten or has obligations with respect to the following debts:

- The Company has underwritten the senior debt of the subsidiary Abix Service, S.L.U. (31 December 2013: 42,359 thousand euros) through a second-lien mortgage on two properties in Madrid, and a pledge on the income from these properties (Note 8).

  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 and, if this falls short, the rental proceeds of two buildings owned by the Company. At 31 December 2013, the loan to value ratio had exceeded 85%. The amount lent by the Company to its subsidiary Abix in this respect stood at 6,553 thousand euros.

- As indicated in Note 14, following the debt restructuring in the subsidiary Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U., the Company cancelled 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 Company held a second-lien mortgage on the property asset in Madrid and up to a maximum of 40,000 thousand euros to guarantee the mortgage loan of 45,000 thousand euros plus interest accrued of 8,377 thousand euros owed Sareb (the loan was previously owned by Bankia) by Asentia Project, the debt of up to 10,000 thousand euros of S.L.U., Riofisa, S.A.U. and the pledge on the rent of this building. The guarantee was cancelled under an agreement of 19 December 2013 with Sareb, which involved the disposal of the property and repayment of the debt associated with the property (Note 11).

- Finally, at 31 December 2013, the Company had granted to government bodies, customers and suppliers guarantees in the amount of 33,212 thousand euros, of which 21,799 thousand euros related to the bank guarantee provided in connection with the purchase of the building located at Francisco Silvela, 42 in Madrid (Note 14). Other than this, the main guarantees were:

  - 5,484 thousand euros granted to secure commitments undertaken by Asentia Project, S.L.U. The Company and that subsidiary have an agreement in place whereby if any of the guarantees is enforced Asentia Project, S.L.U. must compensate the Company for any harm suffered within 15 days.

  - 5,000 thousand euros granted to secure commitments undertaken by Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U. That company has a current account that has been pledge for the aforesaid amount to secure the guarantees extended by the Company.

Syndicated loan –

The breakdown of the syndicated debt by tranche at 31 December 2013 and 2012 is provided below:

	Thousands of euros			
	31 December 2013		31 December 2012	
	Limit	Nominal amount drawn down	Limit	Nominal amount drawn down
Colonial syndicated loan				
Facility A – Tranche 1	1,626,710	1,626,710	1,626,710	1,626,710
Pik Penalty – Tranche 1	-	61,409	-	-
Facility A – Tranche 2	70,482	70,482	87,900	87,900
Facility A – Tranche 3 revolving facility (*)	48,384	(439)	48,384	(447)
Pik Penalty – Tranche 3	-	1,161	-	-
Total Colonial syndicated loan	**1,745,576**	**1,759,323**	**1,762,994**	**1,714,163**

(*) To calculate the nominal amount drawn down, the Company recognises the amount drawn down from Tranche 3 of the Revolving Facility A, amounting to 31,916 thousand euros, less the balance of the restricted current account, amounting to 31,194 thousand euros and which secures said drawn-down amount. The difference of 722 thousand euros corresponds to the amount of capitalised interest within the debt amount of 1,161 thousand euros, less the 439 thousand euros of interest generated by the current account.

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 thousand-euro mortgage on certain properties located in Spain (Note 7); (ii) a share pledge consisting of 51% of the shares of SFL owned by the Company; (iii) guarantees on deposits held by the Company as a result of the sale of assets; and (iv) a share pledge consisting of the shares held by the Company in the investee Torre Marenostrum, S.L. At 31 December 2013, the tranche amounted to 1,688,119 thousand euros, of which 61,409 thousand correspond to capitalised interest.

2. Tranche A2: an initial amount of 87,900 thousand euros of debt secured by a first-lien guarantee on the investee's 2.1% equity interest in SFL and 20 shares of FCC, respectively. At 31 December 2013, the tranche amounted to 70,482 thousand euros, partly repaid by Colonial in 2013 (17,418 thousand) as a result of the disposal of FCC shares (Note 12).

3. Tranche A3: Revolving Tranche, with an initial limit of 62,966 thousand euros. At 31 December 2013, the limit of the tranche was 48,384 thousand euros, which was partly repaid in 2012 (14,582

thousand). At 31 December 2013, 30,755 thousand euros had been drawn down and deposited in a restricted current account to secure the tranche. The nominal value drawn down has also been increased by 1,161 thousand euros to account for the capitalisation of interest.

Tranche A accrues interest at Euribor plus 175 basis points.

Under the financing agreement and its subsequent amendments, if the Company has not made early repayment of an accumulated value of 18% by 30 June 2013, the additional margin applied to the totality of the A1 and A3 tranches drawn down would be 450 basis points accruing from 1 January 2013. In addition, if the Company has not made early repayment of an accumulated value of 25% by 31 December 2013, the additional margin applied to the totality of the A1 and A3 tranches drawn down will be 686 basis points accruing from 1 January 2014.

Consequently, and as the Company had not made any early repayments of the aforesaid accumulated amount, the additional finance cost [spread] of 450 basis points on top of the drawdowns on these tranches has been recognised, representing the capitalisation of 62,570 thousand euros, 61,409 thousand of which corresponds to tranche A1 and 1,161 thousand to tranche A3. Further, 13,545 thousand euros have accrued in additional finance cost that has not yet capitalised.

As explained in Note 2.h, at the date of the authorisation for issue of these consolidated financial statements, the Company continues to negotiation with its main lenders in order to revise the terms of its borrowings, the bulk of which mature in December 2014.

Other commitments and restrictions pertaining to Colonial's syndicated loan -

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

- The Company may not approve 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 Company may not assume additional borrowings.

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

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

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

Compliance with financial ratios -

The Company must comply, on a half-yearly basis, with the following financial ratios stipulated in the Framework Refinancing Agreement:

- Loan-to-value (LTV) ratio under 85%. LTV is calculated as the percentage obtained by dividing the amount of the Company's net debt by the market value of its assets plus the net asset value (NAV) of its equity investments in subsidiaries devoted to property management.

- Debt service coverage ratio (DSCR) > 1, calculated as the percentage obtained by dividing recurring operating cash flow by the debt service charge.

At 31 December 2013, the Company is compliant with the financial ratios stipulated in the financing agreement.

Fees and interest -

The interest rate on the Company's borrowings for 2013 and 2012 was 3.05% and 3.23%. The Company's average credit spread of 2013 and 2012 ranged between 176 and 174 basis points on the Euribor, respectively, not including the penalty of 450 basis points on the Company's Syndicated Loan, as explained above.

At 31 December 2013 and 2012, accrued and unpaid interest amount to 21,355 thousand and 18,811 thousand euros, respectively. Interest accrued at 31 December 2013 and 2012 amount to 7,810 and 18,811 thousand euros, corresponding to the six-month basis of the interest rate of the syndicated loan, settled in April 2014 and January 2013, respectively. At 31 December 2013, the item includes 13,545 thousand euros corresponding to finance cost accrued in application of the additional margin on balances drawn down from A1 and A3 tranches of the syndicated loan.

Debt arrangement expenses -

The Company recognised in 2013 in the income statement 7,303 thousand euros primarily corresponding to the costs of the syndicated loan paid during the year (6,969 thousand euros at 31 December 2012).

Cash and cash equivalents -

The balance of “Cash and cash equivalents” at 31 December 2013 and 2012 stand at 20,113 thousand and 40,347 thousand euros, respectively. At 31 December 2013 and 2012, there are no pledged balances.

At 31 December 2013, this heading includes a new deposit with the Banco Popular that amounts to 5,000 thousand euros.

16. Other non-current financial liabilities

This heading primarily corresponds to the amount of guarantees and deposits received, which amounts to 6,654 thousand and 6,796 thousand euros at 31 December 2013 and 2012, respectively.

17. Tax

The detail of current balances with the tax authorities at 31 December 2013 and 2012 is as follows:

	Thousands of euros			
	Receivable		Payable	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Other taxes payable	582	2,463	7,437	5,352
Deferrals with tax authorities (*)	-	-	10,891	22,319
Social Security payables	-	-	80	79
Total current balances	**582**	**2,463**	**18,408**	**27,750**
Deferrals with tax authorities (*)	-	-	6,330	9,588
Tax refunds receivable	253,639	267,694	-	-
Deferred tax for contribution (Note 9)	-	51,250	-	49,868
Deferred tax for merger (Note 1)	-	-	23,459	29,515
Other deferred taxes	-	11,088	7,704	21,410
Total non-current balances	**253,639**	**330,032**	**37,493**	**110,381**

(*) At 31 December 2013, included 1,826 and 1,688 thousand euros of current and non-current accrued interest, respectively (3,846 and 1,175 thousand euros, respectively at 31 December 2012).

Inmobiliaria Colonial heads a group of companies filing consolidated tax returns (group 006/08) since 1 January 2008. This consolidated tax group includes only subsidiaries incorporated in Spain in which the Company owns at least 75%, either directly or indirectly (this threshold falls to 70% in the case of listed subsidiaries). In addition to the Company, this consolidated tax group in 2012 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., Asentia Gestión, S.L.U., Riofisa Este, S.L. and Asentia Invest, S.L.U.

The following is the reconciliation between the accounting profit/(loss) and the taxable income of Corporate Income tax for 2013 and 2012:

At 31 December 2013

	Thousands of euros		
	Increase	Decrease	Amount
Accounting profit/(loss) of period from continuing operations (before tax)			**(105,693)**
Permanent differences:			
SFL dividends	12,071	52,127	(40,056)
Expense of the capital increase	-	42	(42)
Monetary correction of gain/loss from property sales	8,360	181	8,179
Penalties and charges	138	-	138
Gain/loss from sale of SFL holding	1,453	-	1,453
Other	72	1,878	(1,806)
Temporary differences:			
Carried over from previous years-			
Deferral for reinvestment	930	-	930
From current year-			
Impairment of SFL portfolio (Note 9)	-	35,912	(35,912)
Impairment of FCC portfolio	-	65,193	(65,193)
Impairment of Abix Service portfolio	3,228	-	3,228
Impairment of Asentia Gestión and Asentia Invest portfolio	1	-	1
Impairment of Torre Marenostrum, S.L. portfolio (Note 9)	-	186	(186)
Depreciation of SFL financial goodwill	4	57	(53)
Deducted merger monetary correction	-	8,360	(8,360)
Non-deductible provisions	97,506	122,439	(24,933)
Retirements from deferred tax on asset gains and inventories	8,992	727	8,265
Non-deductible financial expense	144,482	-	144,482
Non-deductible amortisation	6,935	117	6,818
Other	127	1,063	(936)
Taxable income (taxable profit)	**284,299**	**288,282**	**(109,676)**

At 31 December 2012

	Thousands of euros		
	Increase	Decrease	Amount
Accounting profit/(loss) of period from continuing operations (before tax)			**(316,747)**
Permanent differences:			
SFL dividends	14,004	52,227	(38,223)
Expense of the capital increase	-	42	(42)
Monetary correction of gain/loss from property sales	486	191	295
Penalties and charges	8	-	8
Other	81	116	(35)
Temporary differences:			
Carried over from previous years-			
Deferral for reinvestment	1,003	-	1,003
From current year-			
Impairment of SFL portfolio (Note 9)	-	61,630	(61,630)
Portfolio impairment from Abix Service, Asentia Gestión and Asentia Invest (Note 9)	4,749	2,461	2,288
Portfolio impairment Asentia Project	-	288,124	(288,124)
Impairment of Torre Marenostrum, S.L. portfolio (Note 9)	2,975	-	2,975
Depreciation of SFL financial goodwill	-	57	(57)
Deducted merger monetary correction	-	486	(486)
Non-deductible provisions	179,056	8,012	171,044
Retirements from deferred tax on asset gains and inventories	42,776	-	42,776
Non-deductible financial expense	70,845	-	70,845
Other	117	1,210	(1,093)
Taxable income (taxable profit)	**316,100**	**414,556**	**(415,203)**

The difference between the accounting profit/(loss) and the taxable income of Corporate Income Tax for 2013 and 2012 by permanent differences primarily corresponds to the following:

- Dividends received from the French subsidiary SFL in application of the exemption on dividends from non-resident companies, amounting to 52,127 and 52,227 thousand euros. SFL files income tax under the special SIIC regime which, *inter alia*, provides that shareholders with more than 10% of the share capital of an SIIC and which are exempt from taxation or subject to a tax that is two thirds lower than the general corporate income tax rate (33.33%) shall be subject to a 20% withholding at the SIIC source. To this end, and to avoid a withholding at the source of SIIC income distributed through dividends, the Company partially waives the above exemption, amounting to 12,071 and 14,004thousand euros, thus meeting the requirement of minimum taxation of the shareholder at the source, as per the SIIC regime.

- The Company has notified the Board of Directors of SFL that Inmobiliaria Colonial, S.A. has partially paid tax on such dividends and, consequently, SFL need not make any withholding at the source. The Company has also assured SFL that it would cover any amounts that were to be assessed in France as a result of this interpretation.

- The Company makes adjustments in the taxable income for the monetary correction of properties disposed of during the year. The adjustment amount corresponds to the monetary correction generated between 30 September 2006 - recognised as lower deferred tax arising from gains allocated to properties following the takeover bid for Inmobiliaria Colonial, S.A. (Note 1) - and the selling date of the asset. At 31 December 2013, as a result of the sales realised during the year, such adjustments amounted to 8,360 and 486 thousand euros, respectively.

- Impairment of financial holdings and of loans with group companies, considered not tax deductible.

- In accordance with the resolution in Royal Decree-Law 12/2012, of 30 March, amending Article 20 of the Corporate Tax Act, the company has temporarily adjusted the financial expense that exceeds 30% of the yearly profit.

- Non-deductible provisions (Note 14).

The breakdown of tax not recognised in accounting that would have been directly recognised in the equity of the Company at 31 December 2013 and 2012 is as follows:

At 31 December 2013

	Thousands of euros			
		Taxable income		Tax (*)
	Increases	Decreases	Total	Total
In current tax:				
Expense of the capital increase	-	(42)	(42)	(13)
Total current tax	**-**	**(42)**	**(42)**	**(13)**
In deferred tax:				
From current year-				
Valuation of financial derivative instruments	17,117	-	17,117	5,135
Total deferred tax	**17,117**	**-**	**17,117**	**5,135**
Total tax directly recognised in equity	**17,117**	**(42)**	**17,075**	**5,122**

(*) Not recognised

At 31 December 2012

	Thousands of euros			
		Taxable income		Tax (*)
	Increases	Decreases	Total	Total
In current tax:				
Expense of the capital increase	-	(42)	(42)	(13)
Total current tax	**-**	**(42)**	**(42)**	**(13)**
In deferred tax:				
From current year-				
Valuation of financial derivative instruments	4,031	-	4,031	1,209
Total deferred tax	**4,031**	**-**	**4,031**	**1,209**
Total tax directly recognised in equity	**4,031**	**(42)**	**3,989**	**1,196**

(*) Not recognised

The reconciliation between the accounting profit/(loss) and the Corporate Tax expense recognised in the income statement for 2013 and 2012 is as follows:

	Thousands of euros	
	31/12/2013	31/12/2012
Total before-tax accounting profit/(loss)	(105,693)	(316,747)
Permanent differences (*)	(32,134)	(37,955)
Adjusted accounting profit/(loss)	**(137,827)**	**(354,702)**
Unrecognised taxable income	137,827	354,702
Decapitalisation of tax credits	-	(520,403)
Adjustment of corporate tax from previous years	(1,648)	(93)
Total tax expense recognised in consolidated income	**(1,648)**	**(520,496)**
- From continuing operations	(1,648)	(520,496)

(*) At 31 December 2013 and 2012, not including 42 thousand euros of extensions expenses, the tax effect of which has been directly charged to equity.

Deferrals with tax authorities -

On 17 October 2008, the Company obtained permission to defer over five years the payment of 30,244 thousand euros relating to the 2007 income tax expense of the absorbed company Subirats-Coslada Logística, S.L.U. (Note 1). The debt is secured by a mortgage on a number of properties of the subsidiary Asentia Project, S.L.U. In the first quarter of 2013, the payment schedule has been rearranged, with the amounts outstanding at the rearrangement date deferred for 3 years.

On 3 February 2009, the Company obtained approval for to defer over 5 years a total of 15,325 thousand euros for VAT from 2008. The debt is secured by a mortgage on a property of the subsidiary Asentia Project, S.L.U. In the first quarter of 2013, the payment schedule was rearranged, with amounts outstanding at the rearrangement date deferred for 3 years.

On 9 December 2009 , the Company obtained permission to defer over five years a total of 8,508 thousand euros related to the VAT expense for 2008 of the tax consolidation group. This debt is guaranteed by a mortgage against a plot of land owned by Group subsidiary Riofisa, S.A.U.

In 2010, following the cancellation and new mortgages constituted on all of the rental properties owned by the Company in Spain, provided as collateral as part of the syndicated loan refinancing agreement (Note 15), the Company applied for a five-year deferral of all accrued stamp duty for a total of 14,844 thousand euros. Deferral of the portion corresponding to properties located in Catalonia, in the amount of 6,763 thousand euros, was approved by the Catalan regional government, while deferral of the remaining 8,081 thousand euros, corresponding to assets located in Madrid, was approved by the Madrid regional government. This debt was secured by mortgages on various properties of the subsidiary Asentia Project, S.L.U.

In 2011, the Company filed an application for a deferral over 5 years of a total of 1,233 thousand euros relating to Corporate Income Tax of 2010 of the tax consolidation group headed by the Company, and the deferral was approved on 12 January 2012. The deferral is secured by a mortgage on a property of the subsidiary Riofisa, S.A.U. In the first ten months of 2013, the State tax agency offset 1,007 thousand euros on account of this deferral.

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

At 31 December 2013

	Thousands of euros						
	Current	Non-current					
	1 year	2 years	3 years	4 years	5 years	Total non-current	Total
VAT	1,237	1,056	-	-	-	1,056	2,293
Income tax 2007	1,686	1,686	983	-	-	2,669	4,355
Income tax 2008	1,612	-	-	-	-	-	1,612
Income tax 2010	48	-	-	-	-	-	48
Stamp duty Catalonia	2,040	510	-	-	-	510	2,550
Stamp duty Madrid	2,442	407	-	-	-	407	2,849
Total	**9,065**	**3,659**	**983**	**-**	**-**	**4,642**	**13,707**

At 31 December 2012

	Thousands of euros						
	Current	Non-current					
	1 year	2 years	3 years	4 years	5 years	Total non-current	Total
VAT	4,388	363	-	-	-	363	4,751
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
Stamp duty Catalonia	2,040	2,040	510	-	-	2,550	4,590
Stamp duty Madrid	2,442	2,442	407	-	-	2,849	5,291
Total	**18,473**	**6,727**	**1,286**	**369**	**31**	**8,413**	**26,886**

At 31 December 2013 and 2012, accrued and unpaid interest on the above deferrals amounted to 3,514 thousand and 5,021 thousand euros, respectively.

Deferred tax assets and liabilities -

The breakdown of deferred tax assets and liabilities at 31 December 2013 and 2012 by item is as follows:

At 31 December 2013

Deferred tax assets	Thousands of euros	
	Amount	Tax effect
Tax credits in respect of loss carryforwards	3,506,597	1,051,979
Impairment of SFL portfolio (Note 9)	216,271	64,881
Portfolio impairment Asentia Project, S.L.U.	1,567,193	470,158
Portfolio impairment Torre Marenostrum, S.L.	4,196	1,259
Portfolio impairment Abix Service, S.L.	3,910	1,173
Non-deductible financial expense	215,327	64,598
Non-deductible amortisation	6,817	2,045
Non-deductible provisions	151,850	45,555
Other	6,927	2,078
Total tax credits and deferred tax assets	**5,679,088**	**1,703,726**
By transactions in tax group	531,160	159,348
Total transactions with tax group companies	**531,160**	**159,348**
Unused tax credits for deductions for dividends receivable	96,963	29,089
Unused tax credits for deductions for reinvestment	51,823	15,547
Unused tax credits for deductions for training	3	1
Total unused deductions	**148,789**	**44,637**
Total deferred tax assets	**6,359,037**	**1,907,711**
Recognised balance	**845,463**	**253,639**

Deferred tax liabilities	Thousands of euros	
	Amount	Tax effect
By transactions in tax group	42,853	12,856
Deferral for reinvestment	24,170	7,251
Deferred liability for financial goodwill	1,510	453
Deferred liability from gains allocated to investment properties and financial assets	78,197	23,459
Total deferred tax liabilities	**146,730**	**44,019**
Recognised balance	**103,877**	**31,163**

At 31 December 2012

Deferred tax assets	Thousands of euros Amount	Tax effect
Tax credits in respect of loss carryforwards	3,402,125	1,020,637
Impairment of SFL portfolio (Note 9)	252,183	75,655
Impairment of FCC portfolio (Note 9)	65,194	19,558
Portfolio impairment Asentia Project, S.L.U.	1,567,193	470,158
Portfolio impairment Torre Marenostrum, S.L.	4,382	1,315
Portfolio impairment Abix Service, S.L.	683	205
Portillo advance	171,070	51,321
Non-deductible financial expense	70,845	21,253
Other	184,406	55,322
Total tax credits and deferred tax assets	**5,718,081**	**1,715,424**
By transactions in tax group	526,583	157,975
Total transactions with tax group companies	**526,583**	**157,975**
Unused tax credits for deductions for dividends receivable	96,687	29,006
Unused tax credits for deductions for reinvestment	51,823	15,547
Unused tax credits for deductions for training	3	1
Total unused deductions	**148,513**	**44,554**
Total deferred tax assets	**6,393,177**	**1,917,953**
Recognised balance	**1,100,107**	**330,032**

Deferred tax liabilities	Thousands of euros Amount	Tax effect
By transactions in tax group	42,853	12,856
Deferral for reinvestment	25,100	7,530
Deferred liability on non-monetary contribution	166,227	49,868
Deferred liability for financial goodwill	1,457	437
Deferred liability from gains allocated to investments properties and financial assets	78,198	23,459
Total deferred tax liabilities	**313,835**	**94,150**
Recognised balance	**335,977**	**100,793**

Tax assets respect of loss carryforwards-

The attached statement of financial position at 31 December 2013 and 2012 breaks down the effect of the capitalisation of the corresponding tax credits of the company from loss carryforwards amounting to 143,242 and 157,296 thousand euros, respectively.

The following tables present both recognised and unrecognised tax loss carryforwards generated by the Company, with separation of those generated prior to its inclusion in the tax consolidation group from those generated within the group:

Year of origin	Thousands of euros	
	Taxable income	Last year for offset
2000	12,979	2018
2001	5,468	2019
2003	140	2021
2004	38,515	2022
2005	36	2023
2006	25,053	2024
2007	356,235	2025
2008	1,272,908	2026
2009	887,018	2027
2010	653,512	2028
2011	270,814	2029
2012	415,203	2030
2013	109,676	2031
Total	**4,047,557**	

As indicated above, the Company is the head of the consolidated tax group 6/08, which means that certain transactions among companies included in the tax group are eliminated from the tax balances; they are not included in taxable income until the gain or loss on the respective transaction is realised with third parties. In addition, the consolidated tax regime allows consolidated companies with taxable profit to make use of the tax losses generated by other companies within the same consolidated tax group. The following tables presents a reconciliation between the tax loss and the recognised tax loss at 31 December 2013 resulting from applying the above adjustments to the company:

	Thousands of euros
Aggregate of the individual loss carryforwards	**4,047,557**
Adjustments for transactions among companies that make up the consolidated tax group	(531,161)
Adjustments for the offset of taxable income and tax loss carryforwards among companies that make up the consolidated tax group	(9,799)
Total tax loss carryforwards	**3,506,597**
- Recognised as assets	477,472
- Not recognised as assets	3,029,125

Deferred tax assets respect of tax credits for deductions for reinvestment-

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 Company has met in full its reinvestment commitments for the last five years, and its level of compliance within the timeframes established by prevailing legislation, is shown below:

	Thousands of euros			
	2008	2009	2010	2011
Profit to which tax credit applied for reinvestment	10,175	11,236	3,106	251
Reinvestment commitments	33,515	154,283	24,500	25,000
Reinvested by the Company	33,515	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 prevailing 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	27,610
Associated rent	3,723	5,956	216	1,009

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

At 31 December 2013, deductions for reinvestment not used due to the insufficiency of the tax and the corresponding last year for use are as follows:

Year of origin	Thousands of euros	
	Unrecognised	Last year for use
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	434	2024
2010	713	2025
2011	39	2026
2012	123	2027
	16,005	

Deferred tax assets respect of tax credits for other deductions-

The nature and amount of unused deductions at 31 December 2013 by the Company due to a shortfall in taxable income in prior years, and the deadlines for their application, are set out below:

Nature of deduction	Thousands of euros		
	Year of origin	Unrecognised	Last year for use
Double taxation tax credit	2006	7,544	2013
	2007	12,482	2014
	2008	7,863	2015
	2009	286	2016
	2010	274	2017
	2011	355	2018
	2012	202	2019
	2013	83	2020
Tax credit for training	2009	1	2024
		29,090	

Recovery of deferred tax assets-

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 Company's directors re-evaluated the business plan in light of the downturn in the real estate market that year, as well as expectations for the rental business in Spain over the medium and long term. Accordingly, the business plan primarily considered the results of the Company's ordinary activities for the 18-year period, which were projected on the basis of the Company's current portfolio of rental properties. The results of ordinary activities were estimated on the basis of the performance of rentals, as well as occupancy levels for each of the Company's properties individually. However, because of market uncertainty and the need to follow a prudence criterion, 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 Company's current assets, the investment and capital-increase transactions, or a final rotation of 50% of the property portfolio.

In accordance with the approved business plan, the Company wrote down capitalised tax credits of 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 Project, S.L.U. subgroup if the disposal of this subgroup does not materialise.

At 31 December 2013, the Company's Directors have reevaluated 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
Rent growth (1% below that considered)	-
% occupancy (1% below that considered)	(3)

Deferred tax liabilities - Deferred liability from non-monetary contribution-

The deferred tax attributable to the gains allocated to investment properties and financial assets (holding in the subsidiary Torre Marenostrum, S.L.) in the merger of Grupo Inmocaral, S.A. with Inmobiliaria Colonial, S.A. was calculated at a rate of 30%, net of the monetary correction attributable to each of the investment properties, of 31.422% of the total gains allocatable to the aforementioned assets. This percentage is based on the estimate made by the Company’s management of the gains generated on the sale of shares by the former shareholders of Inmobiliaria Colonial, S.A. (absorbed company, Note 1) that were not effectively taxed.

Years open to inspection and inspections -

The tax inspection of Inmobiliaria Colonial, S.A. for 1994 to 1997 in relation to corporate income tax, VAT and personal income tax withholding ended in 2001. The Company signed assessments in the amount of 296 thousand euros in agreement, while the portion signed under protest amounts to 12.6 million euros, and basically relates to discrepancies over exempt reinvested income in calculations of corporate income tax. In 2011 and 2012, the Company was notified of the rulings on the appeals lodged in respect of its settlements in which the Supreme Court accepted the criteria followed by the Company in terms of reinvestment exemptions.

In 2011, the tax authorities initiated inspections at merged companies Dehesa de Valme, S.L. and Entrenúcleos Desarrollo Inmobiliario, S.L. with a focus on the 2006 and 2007 filings. During the first half of 2013, the Company agreed to additional tax assessments raised 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 inspected companies.

In July 2013, the Company was notified of the start of a partial income tax inspection for 2008, restricted to certain corporate operations performed in said year.

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

Balances with companies in tax consolidation group-

Balances held by the Company with other companies in the tax consolidation group at 31 December 2013 and 2012 are shown in the following table:

At 31 December 2013

Company	Thousands of euros	
	Receivable	Payable
Riofisa, S.A.U	1,847	313
Riofisa Internacional, S.L.	-	29
Asentia Project, S.L.U.	-	21
Desarrollos Urbanísticos Entrenúcleos, 2009 S.L.U.	-	4
Inmocaral Servicios, S.A.U.	-	69
Total	**1,847**	**436**

At 31 December 2012

Company	Thousands of euros	
	Receivable	Payable
Riofisa, S.A.U	4,121	253
Riofisa Internacional, S.L.	-	29
Asentia Project, S.L.U.	-	11
Desarrollos Urbanísticos Entrenúcleos, 2009 S.L.U.	-	4
Inmocaral Servicios, S.A.U.	-	69
Total	**4,121**	**366**

The balances primarily correspond to the amounts of on-account withholdings of each of the companies and the offsetting of taxable income among them.

18. Income and expenses

Revenue

The Company’s ordinary revenue relates to sales in Barcelona, Madrid and Paris. The detail by type of business activity is as follows:

Activity	Thousands of euros	
	2013	2012
Building leases	57,730	68,494
Services	1,339	1,113
Income from holdings in group companies and associates (Note 4.p)	52,403	53,700
Total	**111,472**	**123,307**

Geographic markets	Thousands of euros	
	2013	2012
Barcelona	20,809	24,081
Madrid	36,921	44,413
France (*)	52,127	52,227
Other	1,615	2,586
Total	**111,472**	**123,307**

(*) The total amount corresponds to financial income from dividends of SFL.

Employee benefits expense

The detail of this heading in the accompanying income statement is as follows:

	Thousands of euros	
	2013	2012
Wages and salaries	6,047	5,496
Social security costs	822	774
Other employee benefits expenses	(2,083)	1,558
Termination benefits	225	9
Total	**5,011**	**7,837**

"Other personnel expenses" in the preceding table includes 1,233 thousand euros corresponding to the cost accrued during the year under the long-term bonus scheme detailed in Note 20. At 31 December 2013, said plan had been cancelled, and the provision accumulated until the end of the year, amounting to 3,084 thousand euros was reverted.

Impairment of property, plant and equipment

The impairment of property, plant and equipment at 31 December 2013 and 2012 is as follows:

	Thousands of euros			
	Property, plant and equipment (Note 6)	Investment property (Note 7)	Non-current assets held for sale (Note 11)	Total
Balance at 31 December 2011	**6,349**	**167,338**	**81,093**	**570,909**
Charge	1,951	141,075	23,105	166,131
Cancellation	-	-	(5,092)	(5,092)
Balance at 31 December 2012	**8,300**	**308,413**	**99,106**	**731,948**
Charge	649	59,242	23,976	83,867
Cancellation	-	-	(85,717)	(85,717)
Balance at 31 December 2013	**8,949**	**367,655**	**37,365**	**730,098**

The reconciliation with the income statement is as follows:

	Thousands of euros	
	2013	2012
Total provisions for property, plant and equipment	83,867	166,131
Total charges of property, plant and equipment	-	-
Total impairment/charges	**83,867**	**166,131**

Finance income and expenses

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

	Thousands of euros	
	Year 2013	Year 2012
Finance income:		
Finance income	390	906
Income from FCC dividends	-	827
Other finance income	2,295	7
Total finance income	**2,685**	**1,740**
Finance cost:		
Loan arrangement expense	(7,303)	(6,969)
Debt interest (*)	(122,873)	(57,303)
Hedge expense	(17,240)	(11,627)
Capitalised borrowing costs (Note 4.c)	48	457
Total finance expense	**(147,368)**	**(75,442)**
Change in derivative instruments	(294)	(134)
Change in fair value of financial instruments	**(294)**	**(134)**
Impairment of SFL financial holding (Note 9)	34,504	61,630
Impairment of Abix Service, S.L.U. financial holding (Note 9)	(880)	(4,747)
Impairment of Torre Marenostrum, S.L. financial holding (Note 9)	186	(2,923)
Impairment of Asentia Gestión, S.L.U financial holding (Note 9)	(1)	(3)
Impairment of other responsibilities (Note 14)	118,474	(155,767)
Impairment of credits with investee DUE (Note 9)	(70,827)	-
Impairment of FCC portfolio (Note 12)	-	(20,504)
Other impairment	(108)	(111)
Gain/(loss) from sale of FCC shareholding	5,202	-
Gain/(loss) from partial sale of SFL holding (Note 9)	(48)	-
Impairment and gain/(loss) from disposal of financial instruments	**86,502**	**(122,425)**
Net finance expense	**(58,475)**	**(196,261)**

(*) 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 Company's syndicated loan (Note 15).

19. Related-party transactions and balances

Related-party transactions

The breakdown of transactions with related parties in 2013 and 2012 is as follows:

2013

	Thousands of euros				
	Services	Interest income/ (cost)	Building leases and other income	Dividends received(*)	Loan repayment
Torre Marenostrum, S.L. (*)	161	-	-	771	-
Inmocaral Servicios, S.A.U.	57	-	-	-	-
Asentia Project, S.L.U.	763	-	250	-	-
Abix Service, S.L.U.	42	(1,656)	-	-	-
Société Foncière Lyonnaise, S.A.	-	-	-	52,127	-
Riofisa, S.A.U.	316	-	205	-	-
HM Treasury(**)	-	(22,962)	-	-	-
Calyon, Spanish branch	-	(25,810)	-	-	-
Commerzbank A.G. (***)	-	(2,981)	-	-	-
Caja de Ahorros y Pensiones de Barcelona	-	(915)	4,824	-	252
Banco Popular Español, S.A.	-	(65)	-	-	-
Coral Partners (Lux), S.A.R.L.	-	(23,515)	-	-	-
Total	**1,339**	**(77,904)**	**5,279**	**52,898**	**252**

(*) Includes extraordinary dividend of 495 thousand euros recognised by decreasing the stake in the investee Torre Marenostrum, S.L., as the dividend was charged against the share premium.
(*) 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 Company 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.

2012

	Thousands of euros				
	Services	Interest income/ (cost)	Building leases and other income	Dividends received	Loan repayment
Torre Marenostrum, S.L.	156	-	-	1,473	-
Inmocaral Servicios, S.A.U.	56	-	-	-	-
Asentia Project, S.L.U.	553	-	182	-	-
Abix Service, S.L.U.	41	(1,904)	-	-	-
Société Foncière Lyonnaise, S.A.	-	-	-	52,227	-
Riofisa, S.A.U.	307	-	10	-	-
HM Treasury (*)	-	(11,537)	-	-	5,158
Calyon, Spanish branch	-	(10,925)	-	-	5,017
Commerzbank A.G.	-	(10,133)	-	-	5,156
Caja de Ahorros y Pensiones de Barcelona	-	(785)	2,685	-	-
Banco Popular Español, S.A.	-	(73)	-	-	-
Coral Partners (Lux), S.A.R.L.	-	(9,067)	-	-	5,001
Total	**1,113**	**(44,424)**	**2,877**	**53,700**	**20,332**

(*) Investment held through The Royal Bank of Scotland Group, PLC.

On 22 October 2012, the Company signed two leases with the subsidiary Riofisa, S.A.U. for the use of offices and parking in the Paseo de la Castellana 52 and José Abascal 56. The term of these leases is until 31 December 2015. At 31 December 2013, these amount to 211 thousand euros.

Balances with related parties

The amount of balances in the state of financial position with related parties at 31 December 2013 and 2012 is as follows:

2013

	Thousands of euros								
Asset / (Liability)	Non-current loans (Note 9)	Current accounts receivable	Current loans (Note 9)	Current payable for tax effect	Non-current payables to Group companies	Gross bank borrowings (Nota 15)	Current payables to Group companies	Fees and interest (Note 15)	Non-current derivatives - Asset (Note 10)
Torre Marenostrum, S.L.	-	32	-	-	-	-		-	-
Inmocaral Servicios, S.A.U.	-	11	-	-	-	-	(69)	-	-
Asentia Project, S.L.U.	-	354	-	30	-	-	(21)	-	-
Grupo Riofisa	-	96	501	1,848	-	-	(342)	-	-
Desarrollos Urbanísticos Entrenúcleos, S.L.U.	70,827	-	-	19	-	-	(4)	-	-
Abix Service, S.L.	6,553	9	-	44	(42,359)	-	-	-	-
Calyon, Spanish branch	-	-	-	-	-	(363,678)	-	(4,318)	1
HM Treasury (*)	-	-	-	-	-	-	-	-	2
Coral Partners (Lux), S.A.R.L.	-	-	-	-	-	(362,351)	-	(4,201)	-
Caja de Ahorros y Pensiones de Barcelona	-	-	-	-	-	(2,502)	-	(20)	-
Impairment:									
Desarrollos Urbanísticos Entrenúcleos, S.L.U.	(70,827)	-	-	-	-	-	-	-	-
Total	**6,553**	**502**	**501**	**1,941**	**(42,359)**	**(728,531)**	**(436)**	**(8,539)**	**3**

(*) In November 2013, the Royal Bank of Scotland (represented in the shareholder structure by HM Treasury (Note 13)) sold its receivable. Hence, the aforementioned debt is no longer considered to be a related-party balance).

(**) Since October 2013, Eurohypo AG, Sucursal en España (represented in the shareholder structure through Commerzbank, S.A.) is no longer considered a related party owing to the sale of the shares held in Inmobiliaria Colonial, S.A. arranged by Commerzbank, S.A.

2012

Asset / (Liability)	Thousands of euros							
	Non-current loans (Note 9)	Current accounts receivable	Current payable for tax effect	Non-current payables to Group companies	Gross bank borrowings (Nota 15)	Current payables to Group companies	Fees and interest (Note 15)	Non-current derivatives - Asset (Note 10)
Torre Marenostrum, S.L.	-	32	-	-	-	-	-	-
Inmocaral Servicios, S.A.U.	-	11	-	(68)	-	-	-	-
Asentia Project, S.L.U.	-	189	154	(12)	-	(110)	-	-
Grupo Riofisa	-	93	4,402	(282)	-	-	-	-
Desarrollos Urbanísticos Entrenúcleos, S.L.U.	-	-	-	(4)	-	(410)	-	-
Abix Service, S.L.	3,894	12	-	(40,598)	-	(63)	-	-
HM Treasury (*)	-	-	-	-	(359,660)	-	(3,920)	38
Calyon, Spanish branch	-	-	-	-	(350,220)	-	(3,813)	22
Commerzbank A.G.	-	-	-	-	(359,943)	-	(3,919)	9
Coral Partners (Lux), S.A.R.L.	-	-	-	-	(349,170)	-	(3,711)	-
Caja de Ahorros y Pensiones de Barcelona	-	-	-	-	-	-	-	13
Banco Popular Español, S.A.	-	-	-	-	-	-	-	1
Total	**3,894**	**337**	**4,556**	**(40,964)**	**(1,418,993)**	**(583)**	**(15,363)**	**83**

(*) Investment held through The Royal Bank of Scotland Group, PLC.

20. Director and senior management compensation and other benefits

Remuneration received in 2013 and 2012 by members of the Board of Directors and senior management of Inmobiliaria Colonial, S.A., by components, is as follows:

	Thousands of euros	
	2013	2012
Compensation paid to executive directors (*):	**1,072**	**874**
Per diem allowances:	**497**	**303**
Per diem allowances: Directors	465	285
Additional per diems for the Chairman	32	18
Fixed compensation:	**857**	**905**
Director remuneration	457	500
Additional remuneration for the Executive Committee	166	175
Additional remuneration for the Audit and Control Committee	106	110
Additional remuneration for the Nomination and Remuneration Committee	128	120
Total	**2,426**	**2,082**
Compensation earned by executive directors	**1,387**	**1,127**

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

Additionally, at 31 December 2013 and 2012, the Company had taken out a civil liability insurance policy covering all of its directors, executives and employees for a total of 545 and 561 thousand euros, respectively. In 2009, the Company took out an insurance policy on the convertible bonds maturing in five years at a cost of 382 thousand euros in 2010.

The Company 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 Company.

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 at the General Shareholders' Meeting.

In addition, some current members of the Board of Directors may receive compensation for the change of control in the share capital of the Company (Note 13).

The Board of Directors at 31 December 2013 comprises 7 men, whereas at 31 December 2012 it comprised 10 men.

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

On 30 June 2011, the Company set up a long-term share-based payment scheme for its chairman, CEO and the members of its executive committee. The plan can be settled only in Company shares between 15 and 30 January 2015.

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

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 Company above the arithmetic average growth in NAV at certain listed real estate companies
- Growth in recurring consolidated cash flow of at least 20%
- Growth in the subsidiary SFL's NAV per share above the arithmetic average growth in NAV at certain listed French real estate companies
- Growth in the Company's NAV per share of 100%, and
- Delivery of the core components of the Business Plan

All the foregoing indicators referred to the four-year period between 1 January 2011 and 1 January 2015. At 31 December 2012 and 2011, the Company recognised a provision of 1,233 and 617 thousand euros, respectively, to cover the incentive plan (Note 13 and 18).

The maximum number of shares to which the plan beneficiaries could be 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 approved scheme also entailed a final adjustment such that the monetary value of the shares delivered was in no event more than 100% of the Company'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 aggregation outlined in Note 13.

The scheme also envisaged an adjustment mechanism, at the recommendation of the Nomination and Remuneration Committee, in the event the Company took measures that affect the indicators (NAV, no. 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. This expected percentage was 50.00%. The resulting amount was charged on a straight-line basis over the grant period.

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

On 21 January 2014, the General Shareholders' Meeting of the Company established, for the Chairman and Chief Executive Officer of Inmobiliaria Colonial, S.A. and for members of the Group Executive Committee a long-term bonus scheme that will apply in the years 2015-2019.

Between the 1st and the 15th of April of each of these years, the Board of Directors, at the recommendation of the Nomination and remuneration Committee, will determine the number of shares owed to each Plan beneficiary on the basis of the degree of fulfilment of the indicators in the previous year. Shares granted will be delivered to beneficiaries between the 15th and the 30th of April of each year.

Shares received under this plan may not be disposed of or transferred by beneficiaries until three years have elapsed since the delivery date, unless necessary to pay tax owed from their accrual.

Delivery of shares will include a final adjustment whereby the equivalent of the monetary value of the delivered share will not be greater than 150% of the average share price of Colonial in November 2013.

In the event Colonial were to adopt a resolution that negatively and substantially affected Colonial shares or that meant a variation in the number of outstanding shares as a consequence of the modification of the nominal value of the same, the Board of Directors, at the recommendation of the Nomination and Remuneration Committee, shall make the necessary adjustments to maintain the equivalence of benefits of this Share Option Plan. The same adjustment shall be made in event of merger, integration or spin off. Such adjustments shall be made on the basis of customary market practices broadly accepted for decisions such as the distribution of dividends, exercise of warrants or other decisions that would have a dilutive technical impact on value per share.

The Board will also resolve to effect early settlement of the Plan and undertake delivery of the maximum number of outstanding shares to each of the beneficiaries in the event a "substantial liquidity condition" occurs. A "substantial liquidity condition" occurs if a takeover bid is authorised with the aim of acquiring the totality of the share capital of Colonial, whereby Colonial's creditors must waive any change of control clause, or in the event of significant refinancing of existing debt. In the latter case, early settlement of the Plan shall be subject to ratification by the Nomination and Remuneration Committee.

If the aim of the bid is to remove Colonial shares from stock exchange listing, and no change of control occurs, no prior delivery of shares is carried out and equivalent remuneration system must be established based on replacing the share distribution system with an equivalent distribution of cash. If, subsequent to the exclusion of Colonial shares from stock exchange, a transaction occurs that involves a change of control, as part of which Colonial's creditors must waive any existing change of control clause, or in the event of a significant refinancing of existing debt, the Board will adopt early settlement of the Plan and delivery of the maximum envisaged remuneration in cash, subject to ratification by the Nomination and Remuneration Committee.

In the event that, during the lifetime of this Plan, the Chairman or the CEO were to be dismissed improperly, the General Meeting were to not extend their term of office or were removed from their posts without just cause, they will be entitled to early settlement of the Plan and delivery would proceed of the maximum number of undelivered shares during the years remaining until the end of the term of duration of the Plan, except if the improper dismissal were to occur in the years 2014 or 2015, in which case they would be entitled to receive 50% of the maximum number of undelivered shares if the dismissal occurs in 2014 or 66% if the dismissal occurs in 2015.

Beneficiaries would lose their right to shares in the event of proper dismissal, termination for just cause or resignation at their own initiative, or in the event of contractual breach with regard to confidentiality, the prohibition to offer services or competition. In such cases, the beneficiaries would lose any entitlement to awarded shares.

Compensation of senior management -

The Company’s senior management team is formed by senior executives and other persons responsible for the management of the Company, reporting to the CEO, as per the definition given in the Good Governance Code for listed companies. In 2013 and 2012, the senior management team earned 874 thousand and 977 thousand euros, respectively, in wages and salaries, per diems and other compensation. In the last quarter of 2013, a member of the Company's senior management team assumed senior management duties in the subsidiary Asentia Project, S.L.U.

The Company’s senior management team was made up of two men and two women at 31 December 2012. At 31 December 2013, the Company's senior management team is made up of one man and two women.

At 31 December 2013 and 2012, one member of the senior management team had signed a guarantee or “golden parachute” clause in the event of certain cases of termination or change of control.

Extraordinary and contingent compensation pursuant to ‘Debt restructuring agreement’-

On 27 June 2013, the Board of Directors, at the recommendation of the Nomination and Remuneration Committee, resolved to pay extraordinary and contingent compensation to members of the Executive Committee of Colonial of up to 4,000 thousand euros (Note 14). Receipt of such compensation shall be subject to a resolution by Colonial to restructure its syndicated debt, the majority of which matures on 31 December 2014 (Note 15).

The Board of Directors, based on a proposal of the Nomination and Remuneration Committee shall set the terms and conditions for such compensation, its exact amount and the distribution among members of the Executive Committee and, in particular, the amounts owed to the Chairman and CEO in their capacity as executive Directors. The Nomination and Remuneration Committee must inform the beneficiaries beforehand of any settlement of this extraordinary and contingent compensation. Extraordinary and contingent compensation shall not be considered part of beneficiaries' vested or compensable compensation.

In view of the situation of restructuring of the Company's debt at 31 December 2013, a provision of 4,000 thousand euros has been recognised in “Current provisions” of the statement of financial position, as the process is expected to conclude favourably.

Disclosure of holdings in companies with similar activities and employed or self-employed activities by Directors and related persons

In 2013, pursuant to Article 229 of the Spanish Corporate Enterprises Act, the following members of the Company’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

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 París, S.A.	Director	0.00%
	Asentia Invest, S.L.	Representative of the Sole Director (Inmobiliaria Colonial, S.A.)	0.00%
	Asentia Project, S.L.	Representative of the Sole Director (Inmobiliaria Colonial, S.A.)	0.00%
	Abix Service, S.L.	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	-	-	-
Luis Maluquer Trepat	Société Foncière Lyonnaise, S.A.	Director	0.00%
Javier Faus Santasusana	-	-	-
HDA Conseil, S.A.R.L. represented by Henri D'Ambrières	-	-	-

On 17 June, 3 July, 29 July, 25 November and 27 November 2013, the directors Jean-Luc Ransac (proprietary director representing Credit Agricole), Carlos Gramunt Suárez (proprietary director representing La Caixa), José María Sagardoy Llonis (proprietary director representing Banco Popular), Alberto Ibáñez González (proprietary director representing HM Treasury) and Alain Chetrit (proprietary director representing Colony) tendered their resignation. On 31 July 2013 and 26 September 2013, Luis Maluquer Trepat (another external director) and HDA Conseil, S.A.R.L., represented by Henri d'Ambrières (new proprietary director), respectively, were appointed as new directors.

In addition, members of the current Board of 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 non-arm's-length terms.

Meanwhile, no person related to any director, as provided for in section 231 of the Corporate Enterprises Act, has a stake and or held a position in any company with an analogous corporate purpose to that of Inmobiliaria Colonial, S.A.

21. Other disclosures

Headcount

The following was the Company headcount at 31 December 2013, by categories:

Job category	Employees at 31 December 2013	
	Men	Women
General and area managers	5	4
Technical graduates and middle managers	10	7
Clerical staff	12	33
TOTAL	**27**	**44**

The following was the average headcount in 2013, by categories:

Job category	Average no. of employees 2013
General and area managers	11
Technical graduates and middle managers	17
Clerical staff	46
Total	**74**

Audit fees

In 2013 and 2012, fees for auditing and other services provided by the Company auditor, Deloitte, S.L. or by a company in the same group or related to the auditor, were as follows:

Description	Thousands of euros Deloitte, S.L.	
	2013	2012
Audit services	399	359
Audit-related services	12	4
Other services (*)	121	162
Total	**532**	**525**

(*) Includes 15 thousand euros for transactions in 2013 and 2012.

The fees of the main auditor for other services do not include fees for tax advisory.

Capital management: policy and targets

As indicated in Note 1, the Company is part of the Colonial Group.

The Company manages its capital and financial structure, and that of the subsidiaries Asentia Project, S.L.U., Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U., Abix Service, S.L.U., Torre Marenostrum S.L., Inmocaral Servicios, S.A.U. y Riofisa, S.A.U. with the aim of ensuring that each are able to cover their debts and maximise shareholder return.

The Company's capital structure, as well as that of its direct and indirect investees, is determined in accordance with the terms of the "Framework Refinancing Agreement" signed on 19 February 2010 between Inmobiliaria Colonial, S.A. and the credit institutions, and includes debt comprising loans and credit facilities, cash and cash equivalents, and equity comprising different items than provided for in prevailing mercantile legislation. In this respect, the subsidiaries Asentia Project, S.L.U. and Abix, Service, S.L.U. debts convertible into participating loans under certain conditions that, in accordance with Royal Decree-Law 7/1996, are considered equity in the determination of equity used to assess whether the Company is in any of the circumstances for winding-up provided by the Corporate Enterprises Act.

Capital management of the Company and its investees considers participating loans and the provisions of Royal Decree 3/2013 extending the measures adopted in Royal Decree 10/2008, whereby recognised impairment losses in the separate financial statements of property, plant and equipment, investment property and inventories are not considered for the purposes of determining equity. Capital management of investees considers, as appropriate, such participative loans, and the provision of directors in the even the economic measures established in Royal Decree-Law 3/2013, of 22 February, are not extended.

The Company holds a majority stake in several companies (Note 9). The attached financial statements cover the Company individually and, consequently, do not reflect any changes in the components of equity if the aforesaid subsidiaries were to be consolidated. The Company prepares its consolidated financial statements on the basis of the International Financial Reporting Standards (IFRS). According to the consolidated financial statements prepared pursuant to the International Financial Reporting Standards (IFRS), the total consolidated reserves, together with the share premium, equity, other equity instruments and adjustments stemming from value changes of derivative financial instruments and available-for-sale financial assets at 31 December 2013 amounts to a negative 22,927 thousand euros, the attributable consolidated loss amounts to 546,928 thousand euros and assets and turnover amount to 6,519,831 and 213,111 thousand euros, respectively.

22. Average supplier payment period

In keeping with additional provision three, "Disclosure requirements," of Law 15/2010, dated 5 July 2010, related to the amendment of Law 3/2004 regarding measures against late payment in commercial transactions, and as stipulated 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 balances outstanding to suppliers and trade accounts payable at the reporting date:

	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	16,990	53%	66%	14,673	55%	68%
Other	14,865	47%	34%	11,945	45%	32%
Total amounts paid in the year	**31,855**	**100%**		**26,618**	**100%**	**100%**
Weighted average days past due – payments made after legal deadline	97			107		
Weighted average days past due	37			32		
Amounts past due at the reporting date by more than the legally permitted term	2,965			2,079		

(*) Law 15/2010, of 5 July, the second transitional provision of which states that payment periods in trade shall be progressively adjusted to 60 days from 1 January 2013.

(**) The Company 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 Company in 2013 under Law 3/2004, of 29 December, on combating late payment in commercial transactions is 60 days.

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.

23. Events after the end of the reporting period

Up the date of authorisation for issue of these financial statements, the following events have occurred.

- On 25 February 2014, the company Asentia Project, S.L. increased its share capital by 13 thousand euros through the issuance of 12,800 shares of 1 euro in nominal value each. This capital increase was fully undertaken by the offsetting of credits by 3 creditors of the syndicated loan of Asentia Project, S.L. As a consequence of the capital increase, the stake of Inmobiliaria Colonial, S.A., to date the sole shareholder of Asentia Project, S.L., was reduced to 18.99%.

  On the same date, a new Board of Directors of Asentia Project, S.L. was appointed, comprising four members, one of whom represents Inmobiliaria Colonial, S.A.

  Both events resulted in a loss of control by the Company over Asentia Project, S.L., thus leading to the exit of that company and its subsidiaries (Asentia Group) from the consolidated group in which Inmobiliaria Colonial, S.A. is the Parent and therefore fulfilling for execution, by the Company's Board of Directors, of the capital increase of 1,000 million euros approved as the third item on the Agenda of the General Shareholders' Meeting of 21 January 2014, as explained in Note 2.h.

- On 21 January 2014, the General Shareholders' Meeting of the Company authorised the Board of Directors to reduce the share capital by 169,439 thousand euros in order to increase voluntary reserves by decreasing the nominal value of all shares from 1 euro to 0.25 euros per share, under the terms described in Note 2.h. On 17 February 2014, the capital reduction referred to above was entered in the Barcelona Companies Register.

- On 30 December 2013, the last voluntary conversion period of convertible bonds ended. As a result, 358 convertible bonds were redeemed and share capital and the share premium were increased by 1 thousand euros, by means of the issue of 1,890 new shares (at a par value of 0.25 euro each plus a share premium of 24.75 euros per share). On 17 February 2014, the capital increase referred to above was entered in the Companies Register (Note 13).

  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 Company shares.

24. Explanation added for translation to English

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

APPENDIX I

Note 9. NON-CURRENT INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES AND NON-CURRENT INVESTMENTS

2013	Domicile	Thousands of euros					Direct	Indirect	Shareholder	Thousands of euros
		Capital	Reserves and share premium	Profit/(loss)	Profit/(loss) Discontinued	Dividend (Note 19)				Cost
HOLDINGS IN GROUP COMPANIES AND ASSOCIATES:										
Torre Marenostrum, S.L.	Avda. Diagonal 532, 08006 Barcelona, Spain	5,334	10,577	1,093	-	771	55%	-	-	26,399
Asentia Gestión, S.L.U. (formerly, Acrostic Invests, S.L.U.)	Avda. Diagonal 532, 08006 Barcelona, Spain	3	7	(1)	-	-	100%	-	-	13
Abix Service, S.L.U.	Avda. Diagonal 532, 08006 Barcelona, Spain	869	(2,681)	(811)	-	-	100%	-	-	8,663
Asentia Invest, S.L.U.	Avda. Diagonal 532, 08006 Barcelona, Spain	3	(1)	(1)	-	-	100%	-	-	3
GROUP COMPANIES										
SOCIÉTÉ FONCIÈRE										
LYONNAISE, S.A.:										
Société Foncière Lyonnaise, S.A.	40, rue Washington 75008 Paris, France	93,058	955,547	44,844	-	52,127	53.14%	-	-	1,370,746
Segpim, S.A.	40, rue Washington 75008 Paris, France	39	167	771	-	-	-	100%	SFL	-
Locaparis, SAS	40, rue Washington 75008 Paris, France	153	15	474	-	-	-	100%	Segpim	-
MAUD SAS	40, rue Washington 75008 Paris, France	80	(15)	(88)	-	-	-	100%	SFL	-
SB2, SAS	40, rue Washington 75008 Paris, France	40	(13)	(2)	-	-	-	100%	SFL	-
SB3, SAS	40, rue Washington 75008 Paris, France	40	(14)	(1)	-	-	-	100%	SFL	-
SCI SB3	40, rue Washington 75008 Paris, France	2	(5)	(1)	-	-	-	100%	SFL	-
SCI Washington	40, rue Washington 75008 Paris, France	94,872	-	7,592	-	-	-	66%	SFL	-
SAS Parholding	40, rue Washington 75008 Paris, France	15,000	2,592	2,070	-	-	-	50%	SFL	-
SCI Parchamps	40, rue Washington 75008 Paris, France	1,558	2,480	(7,057)	-	-	-	100%	SAS Parholding	-
SCI Pargal	40, rue Washington 75008 Paris, France	9,120	(5,486)	4,773	-	-	-	100%	SAS Parholding	-
SCI Parhaus	40, rue Washington 75008 Paris, France	1,500	(4,054)	2,911	-	-	-	100%	SAS Parholding	-
SCI 103 Grenelle	40, rue Washington 75008 Paris, France	-	1,143	7,928	-	-	-	100%	SFL	-
SC Paul Cézanne	40, rue Washington 75008 Paris, France	56,934	101,249	9,906	-	-	-	100%	SFL	-
SP SIIC PARIS (*)	24 Place Vendôme 75001 Paris, France	68,955	632,779	20,826	-	-	-	29.60%	SFL	-

(*) Data as of 30.06.13.

Note 9. NON-CURRENT INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES AND NON-CURRENT INVESTMENTS

Continued

		Thousands of euros								Thousands of euros
2013	Domicile	Capital	Reserves and share premium	Profit/(loss)	Profit/(loss) from discontinued operations	Dividend (Note 19)	Direct	Indirect	Shareholder	Cost
GROUP COMPANIES OF ASENTIA PROJECT, S.L.U.										
Asentia Project, S.L.U.	Avda. Diagonal 532, 08006 Barcelona, Spain	3	(468,945)	(183,388)	-	-	100%	-	-	3
Inmocaral Servicios, S.A.U.	Paseo de la Castellana 52, 28046 Madrid, Spain	9,015	(881)	(6,109)	-	-	-	100%	-	-
Parque Aqua Mágica, S.L.	C/ General Riera 3, 2º 07003 Palma de Mallorca, Spain	2,944	9,362	(8,801)	-	-	-	69.97%	-	-
Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U.	Avda. Diagonal 532, 08006 Barcelona, Spain	4,381	(16,178)	(57,695)	-	-	-	100%	-	-
GROUP COMPANIES OF RIOFISA, S.A.U.:										
Riofisa, S.A.U.	Avda. Diagonal 532, 08006 Barcelona, Spain	8,973	(35,430)	(154,516)	-	-	-	100%	Asentia Project, S.L.U.	-
Riofisa Este, S.L.U. (formerly Riofisa Procam, S.L.)	Paseo de la Castellana 52, 28046 Madrid, Spain	18,991	(13,880)	(21,961)	-	-	-	100%	Riofisa, S.A.U.	-
Riofisa Sur, S.L.	Paseo de la Castellana 52, 28046 Madrid, Spain	4,800	(22,214)	(14,466)	-	-	-	50.10%	Riofisa, S.A.U.	-
Necsa, Nuevos Espacios Com., S.A.	Paseo de la Castellana 52, 28046 Madrid, Spain	34,825	(7,987)	(23,677)	-	-	-	60%	Riofisa, S.A.U.	-
Nuevas Estaciones de Ferrocarril, S.A.	Paseo de la Castellana 52, 28046 Madrid, Spain	300	47	49	-	-	-	60%	Riofisa, S.A.U.	-
Riofisa Dehesa, S.L.	Paseo de la Castellana 52, 28046 Madrid, Spain	14,491	(14,227)	(10,211)	-	-	-	69.31%	Riofisa, S.A.U.	-
Riofisa Espacios Inmobiliarios, S.L.	Paseo de la Castellana 52, 28046 Madrid, Spain	13,703	(6,691)	(1,878)	-	-	-	100%	Riofisa, S.A.U.	-
Riofisa Internacional, S.L.	Paseo de la Castellana 52, 28046 Madrid, Spain	80,944	(68,794)	(5,320)	-	-	-	100%	Riofisa, S.A.U. Riofisa, S.A.U. - 99.99% / Riofisa Internacional, S.L. 0.01%	-
Riofisa Sema, S.L.	Paseo de la Castellana 52, 28046 Madrid, Spain	88	(58)	(3)	-	-	-	100%	Riofisa Internacional, S.L.	-
Riofisa Desarrollos Internacionales, S.L.	Paseo de la Castellana 52, 28046 Madrid, Spain	15	(11)	(4)	-	-	-	100%	Riofisa Internacional, S.L.	-
Goldale Real Estate, S.R.L.	24-26 Nordului Road, 5th Floor Room 2, Bucharest, Romania	34,273	(24,397)	(1,358)	-	-	-	50%	Riofisa Internacional, S.L.	-
Masterange Imobiliare, S.R.L.	24-26 Nordului Road, 5th Floor Room 14, District 1 Bucharest, Romania	21,762	(14,294)	(1,105)	-	-	-	50%	Riofisa Internacional, S.L.	-

Note 9. NON-CURRENT INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES AND NON-CURRENT INVESTMENTS

Continued

2013	Domicile	Thousands of euros					Direct	Indirect	Shareholder	Thousands of euros
		Capital	Reserves and share premium	Profit/(loss)	Profit/(loss) from discontinued operations	Dividend (Note 19)				Cost
Riofisa Real Estate, S.R.L.	Montreal, Nr Bucharest, Piata Montreal, Nr Bucarest, Romania	10	(534)	(89)	-	-	-	100%	Riofisa Internacional, S.L.	-
Riofisa Bulgaria, Eood	2 Maria Louiza blvd. Business Centre TZUM 6th office 0602 (Sofia)	21,030	(22,194)	(3,525)	-	-	-	100%	Riofisa Internacional, S.L.	-
Riofisa Developments Eood	2 Maria Louiza blvd. Business Centre TZUM 6th office 0602 (Sofia)	46,700	(33,452)	(1,253)	-	-	-	100%	Riofisa Internacional, S.L.	-

APPENDIX I

Note 9. NON-CURRENT INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES AND NON-CURRENT INVESTMENTS

		Thousands of euros								Thousands of euros
2012	Domicile	Capital	Reserves and share premium	Profit/(loss)	Profit/(loss) from discontinued operations	Dividend (Note 19)	Direct	Indirect	Shareholder	Cost
HOLDINGS IN GROUP COMPANIES AND ASSOCIATES:										
Torre Marenostrum, S.L.	Avda, Diagonal 532, 08006 Barcelona, Spain	5,334	11,197	558	-	1,473	55%	-	-	26.894
Asentia Gestión, S.L.U. (formerly, Acrostic Invests, S.L.U.)	Avda, Diagonal 532, 08006 Barcelona, Spain	3	9	(1)	-	-	100%	-	-	13
Abix Service, S.L.U.	Avda, Diagonal 532, 08006 Barcelona, Spain	869	3,026	(5,742)	-	-	100%	-	-	8.663
Asentia Invest, S.L.U.	Avda, Diagonal 532, 08006 Barcelona, Spain	3	-	(1)	-	-	100%	-	-	3
GROUP COMPANIES SOCIÉTÉ FONCIÈRE LYONNAISE, S.A.:										
Société Foncière Lyonnaise, S.A.	40, rue Washington 75008 Paris, France	93,058	1,062,039	(41,972)	-	52,227	53.45%	-	-	1.378.716
Segpim, S.A.	40, rue Washington 75008 Paris, France	39	166	337	-	-	-	100%	SFL	-
Locaparis, SAS	40, rue Washington 75008 Paris, France	153	15	773	-	-	-	100%	Segpim	-
MAUD SAS	40, rue Washington 75008 Paris, France	80	(12)	(2)	-	-	-	100%	SFL	-
SB2, SAS	40, rue Washington 75008 Paris, France	40	(11)	(2)	-	-	-	100%	SFL	-
SB3, SAS	40, rue Washington 75008 Paris, France	40	(12)	(2)	-	-	-	100%	SFL	-
SCI SB3	40, rue Washington 75008 Paris, France	2	(4)	(1)	-	-	-	100%	SFL	-
SCI Washington	40, rue Washington 75008 Paris, France	94,872	-	9,137	-	-	-	66%	SFL	-
SAS Parholding	40, rue Washington 75008 Paris, France	15,000	2,861	(269)	-	-	-	50%	SFL	-
SCI Parchamps	40, rue Washington 75008 Paris, France	1,558	2,391	88	-	-	-	100%	SAS Parholding	-
SCI Pargal	40, rue Washington 75008 Paris, France	9,120	(8,826)	3,340	-	-	-	100%	SAS Parholding	-
SCI Parhaus	40, rue Washington 75008 Paris, France	1,500	(5,900)	1,847	-	-	-	100%	SAS Parholding	-
SCI 103 Grenelle	40, rue Washington 75008 Paris, France	-	1,143	10,446	-	-	-	100%	SFL	-
SC Paul Cézanne	40, rue Washington 75008 Paris, France	56,934	101,249	10,076	-	-	-	100%	SFL	-
SP SIIC PARIS (*)	24 Place Vendôme 75001 Paris, France	68,955	610,986	22,435	-	-	-	29,60%	SFL	-

(*) Data as of 30.06.12.

Note 9. NON-CURRENT INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES AND NON-CURRENT INVESTMENTS
Continued

		Thousands of euros								Thousands of euros
2012	Domicile	Capital	Reserves and share premium	Profit/(loss)	Profit/(loss) from discontinued operations	Dividend (Note 19)	Direct	Indirect	Shareholder	Cost
GROUP COMPANIES OF ASENTIA PROJECT, S.L.U.										
Asentia Project, S.L.U. (*)	Avda. Diagonal 532, 08006 Barcelona, Spain	3	8,305	(467,250)	(225,113)	-	100%	-	-	3
Inmocaral Servicios, S.A.U.	Paseo de la Castellana 52, 28046 Madrid, Spain	9,015	1,363	(2,245)	-	-	-	100%	-	-
Parque Aqua Mágica, S.L.	C/ General Riera 3, 2º 07003 Palma de Mallorca, Spain	2,944	11,146	(1,783)	-	-	-	69.97%	-	-
Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U.	Avda. Diagonal 532, 08006 Barcelona, Spain	3,333	6,756	(44,520)	-	-	-	100%	-	-
GROUP COMPANIES OF RIOFISA, S.A.U.:										
Riofisa, S.A.U.	Avda. Diagonal 532, 08006 Barcelona, Spain	8,973	138,541	(173,971)	-	-	-	100%	Asentia Project, S.L.U.	-
Riofisa Este, S.L.U. (formerly Riofisa Procam, S.L.)	Paseo de la Castellana 52, 28046 Madrid, Spain	18,991	(4,361)	(9,519)	-	-	-	100%	Riofisa, S.A.U.	-
Riofisa Sur, S.L.	Paseo de la Castellana 52, 28046 Madrid, Spain	4,800	(6,785)	(15,429)	-	-	-	50.10%	Riofisa, S.A.U.	-
Necsa, Nuevos Espacios Com., S.A.	Paseo de la Castellana 52, 28046 Madrid, Spain	34,825	1,730	(9,717)	-	-	-	60%	Riofisa, S.A.U.	-
Nuevas Estaciones de Ferrocarril, S.A.	Paseo de la Castellana 52, 28046 Madrid, Spain	300	52	(5)	-	-	-	60%	Riofisa, S.A.U.	-
Riofisa Dehesa, S.L.	Paseo de la Castellana 52, 28046 Madrid, Spain	14,491	(6,756)	(7,470)	-	-	-	69.31%	Riofisa, S.A.U.	-
Riofisa Espacios Inmobiliarios, S.L.	Paseo de la Castellana 52, 28046 Madrid, Spain	13,703	(5,819)	(872)	-	-	-	100%	Riofisa, S.A.U.	-
Riofisa Internacional, S.L.	Paseo de la Castellana 52, 28046 Madrid, Spain	80,944	(37,775)	(31,019)	-	-	-	100%	Riofisa, S.A.U. Riofisa, S.A.U. - 99.99% / Riofisa Internacional, S.L. 0.01%	-
Riofisa Sema, S.L.	Paseo de la Castellana 52, 28046 Madrid, Spain	88	(42)	(16)	-	-	-	100%	Riofisa Internacional, S.L.	-
Riofisa Desarrollos Internacionales, S.L.	Paseo de la Castellana 52, 28046 Madrid, Spain	15	(9)	(3)	-	-	-	100%	Riofisa Internacional, S.L.	-
Goldale Real Estate, S.R.L.	24-26 Nordului Road, 5th Floor Room 2, Bucharest, Romania	34,273	(15,639)	(8,288)	-	-	-	50%	Riofisa Internacional, S.L.	-
Masterange Imobiliare, S.R.L.	24-26 Nordului Road, 5th Floor Room 14, District 1 Bucharest, Romania	21,762	(8,848)	(6,395)	-	-	-	50%	Riofisa Internacional, S.L.	-

Note 9. NON-CURRENT INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES AND NON-CURRENT INVESTMENTS

Continued

2012	Domicile	Thousands of euros					Direct	Indirect	Shareholder	Thousands of euros
		Capital	Reserves and share premium	Profit/(loss)	Profit/(loss) from discontinued operations	Dividend (Note 19)				Cost
Riofisa Real Estate, S.R.L.	Montreal, Nr Bucharest, Piata Montreal, Nr Bucarest, Romania	10	(477)	(56)	-	-	-	100%	Riofisa Internacional, S.L.	-
Riofisa Bulgaria, Eood	2 Maria Louiza blvd. Business Centre TZUM 6th office 0602 (Sofia)	21,030	(16,432)	(5,762)	-	-	-	100%	Riofisa Internacional, S.L.	-
Riofisa Developments Eood	2 Maria Louiza blvd. Business Centre TZUM 6th office 0602 (Sofia)	46,700	(30,902)	(2,550)	-	-	-	100%	Riofisa Internacional, S.L.	-

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

Inmobiliaria Colonial, S.A.

Management Report
for the year ended
31 December 2013

1. Company Situation

Macroeconomic environment

The markets ended the year 2013 in a positive mood. During the year, markets gained strength and stability stemming from three major factors: improving macroeconomic conditions, reduction of the numerous risks that have posed series threats to global financial stability in the recent past and, third, highly accommodative monetary policies in the developed country bloc. Albeit with nuances, we expect the favourable conditions to continue into next year and sustain the ongoing strong performance of risk assets.

The Spanish economy ended 2013 with figures that give reason for optimism. The indicators of the fourth quarter of 2013 confirm growth and suggest a certain quickening of the pace of growth of economic activity in the final stretch of the year. The year 2013 ended with quarter-on-quarter GDP growth of 0.3% in the last quarter. The growth forecast for 2014 stands at 0.8% year-on-year, a rate not observed since 2008. The year 2014 stands to be a key one for shoring of the underpinnings of the future growth of the Spanish economy.

State of the Spanish rental market

Barcelona

In 2013, Barcelona saw the lowest rate of office rentals in the last sixteen years. In the last quarter of the year, rentals amounted to nearly 64,000 m² which, added to the 122,000 m² accumulated in the preceding quarter, total 186,300 m², the lowest level of rentals in a year since 1997. In spite of these figures, the news is positive for some analysts, as it would appear that the sector is reviving in recent months: the last quarter was more active than the previous quarter, and the most active of the year. In addition, towards the end of 2013, rentals were signed involving new establishments in Barcelona or the growth of companies in the same building, a trend not seen for some time.

Due to the low volume of contracting this year and the delivery of the Cornerstone project in the 22@ district, a project which is currently vacant, the vacancy rate has upticked slightly. At the end of 2013, the vacancy rate stands at 14.6%. In the CBD zone, the vacancy rate stands at 10.3%.

Prime rents in the Barcelona office market seem to have touched bottom, standing at €17.50/m²/month. After five years of continuous declines, the leading brokers state that the downturn is over, having resulted in a decline of more than 40% in the highest rents in the Paseo de Gracia/Diagonal area. The short and medium term trend will be towards a stabilisation in office rentals. In addition, the lack of future office supply in Barcelona will also help maintain rents.

Madrid

The leasing of offices and high-tech friendly properties amounted to 105,000 m², which is far above the figure for the third quarter. The total leasing for 2013 amounts to 366,000 m², which clearly surpasses 2012 figures (more than 30%), and mildly surpasses leasing figures for 2011, although they fell short of 2010, when they stood above 400,000 m² (historic market average).

The average vacancy rate in Madrid was 11.9%, and 9.1% in the CBD (prime location). The availability of offices and high-tech friendly properties showed a slight increase of 17,000 m², owing to the vacancy of high-tech products in the outskirts and satellite area, although this increase fell short of 1%, which is far below the percentages of previous years. The short supply of quality product with surface areas of greater than 2,000m² in CBD is acting as a strong floor on prices against the downward trend in the market, which also explains why vacancy rates in this sub-market remain at 9%.

Future supply is at extremely low levels, partly due to the lack of financing for new projects, and partly because developers are waiting for the consolidation of a more positive economic outlook that will sufficient reactivate demand. In the last quarter of 2013, no new projects were completed, and those on the verge of completion were postponed to the early months of 2014.

Prime rents in Madrid remain at 24.25 €/m²/month for the fifth quarter running, which would seem to indicate, according to some analysts, that the end of the cycle is coming ever closer for the best products in the market. According to brokers, the market segment that is remaining stable consists of modern and/or refurbished buildings in the prime zone, precisely due to the shortage of quality space in the zone.

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

Organisational structure and functioning

Inmobiliaria Colonial, S.A. is a leading real estate company in the market of quality offices in the eurozone. It stands as one of the leading operators in the Spanish and European real estate market. The Company has a property portfolio valued at more than 1,027 million euros, with a clear rental commitment centred on the operation and development of buildings for rent and a prominent presence in the rental business of quality offices in the prime zones of the Madrid and Barcelona markets.

At present, the company is in the midst of restructuring its debt.

The Board of Directors of the Company undertook in 2013 conversations with its creditors with the aim of reaching agreement on the restructuring of the syndicated loan of approximately 1,800 million euros, the maturity of which falls due at the end of December 2014. The process is also part, in turn, of the company's recapitalisation plan aimed at paying down the debt and ensuring the future viability of the company and defence of the corporate interest. In this context, the Company has analysed and evaluated its strategic options over the past several months, with the aim of reducing the amount of the debt. Options include selling assets, including the total or partial divestment of the stake held by Inmobiliaria Colonial, S.A. in Sociètè Foncière Lyonnaise (SFL), or the possibility of capital increases. Such options have involved initiating and continuing conversations and receiving offers from different investors.

On 21 January 2014, an Extraordinary General Shareholders' Meeting was held within the process of refinancing the Company's debt, and in which the Board of Directors explained the efforts made in recent months to reach an agreement with creditor banks and with potential investors with the aim of restructuring and capitalising the Company's debt. As a result of such negotiations, the Board of Directors has received, *inter alia*, three binding individual investment commitments, subject to certain conditions, from the following investment groups:

- The Villar Mir Group, for an independent cash investment in the Company of up to 300 million euros via a cash capital increase in the form of an issue of ordinary shares with the same rights as currently outstanding shares.

- The Santo Domingo Group, for an independent cash investment in the Company of up to 100 million euros via a cash capital increase in the form of an issue of ordinary shares with the same rights as currently outstanding shares.

- Amura Capital (related to Mora Banc Group, S.A.) for an independent cash investment in the Company of up to 100 million euros via a cash capital increase in the form of an issue of ordinary shares with the same rights as currently outstanding shares.

The foregoing investors have indicated to the Company that each of them is acting independently, and that they are not party to, nor do they intend to enter into any arrangement among themselves or with any shareholder or third party in relation to the acquisition of Company shares or the exercise of their voting rights. The above-mentioned investment conditions are subject to certain conditions.

2. *Business performance and results*

Introduction

Total income from sales amounted to 57,730 thousand euros. The company also sold assets amounting to 97,862 thousand euros.

The sales margin of investment properties and property, plant and equipment is negative 267 thousand euros.

With amortisations and provisions stripped out, the company ended with a loss of 47,218 thousand euros.

The net financial result is a loss of 58,475 thousand euros, which is mainly due to the debt interest with group companies and associates and interest on borrowings from credit institutions, which amounted to an expense of 147,368 thousand euros.

The after-tax result from continuing operations is a loss of 107,341 thousand euros.

Rental business

The above-ground surface area under operation at December 2013 amounts to 266,411m², with an occupancy rate of 77.7% (76.6% in Barcelona and 78.5% in Madrid).

In 2013, the assets division reviewed/renewed leases representing a total above-ground surface area of 65,124m² (20% of the above-ground surface area in operation at December 2012).

3. *Outlook*

The outlook for the office market of Madrid and Barcelona is as follows:

Madrid market

According to some analysts, the outlook for the development of new projects for the next two years is, frankly, bleak. In the year 2014, only 71,406 m² is expected to come on the Madrid office market, of which 19% have a committed user at 1 January 2014. Notable for its size is the project at Avenida América 81 (22,000 m²). For 2015, some 123,683 m² is expected to come on market, including the second phase of the new BBVA headquarters.

On the developer side, it is notable that the first significant signs of movement are coming mainly from rehabilitation of buildings in central areas, particularly projects such as Génova 17, Hernani 59, O´Donnell 12, Paseo de Recoletos 4 and Castellana 77.

The strong performance of demand in 2013, the current low rent levels, the improving macroeconomic figures and better business confidence are factors leading some analysts to expect an increase gross rental figures for 2014, to as high as 425,000 m², which would represent an increase of 7.5% on the gross absorption level of 2013.

It is believed that vacancies will define the fundamental variables of the market, in addition to the pace in its trends. Current vacancy rates are quite high. In addition, consideration must be given to how these figures would be affected by future changes of headquarters by companies like BBVA, Vodafone, Cepsa, etc. On the positive side, it would seem that the public authorities' practice of vacating buildings is slowing down. In any event, trends in vacancy will be more acutely affected by leasing than by new supply coming onto the market.

Rental prices will be heavily influenced by vacancy rates in each area. In the prime-CDN zone, with mild increases seen in average prices in the last 6 months, this stabilisation should take hold or, even, increases should occur. In the more peripheral outskirts of the city and, as a consequence of high vacancy rates, rent levels will continue to trend downwards. Nevertheless, there will continue to be a differentiation for buildings that are better located and have better technical characteristics.

Barcelona market

In the past 12 months, a total of 24,000 m² of new products will come on the market, although only 24% of such projects (5,700 m²) will enter the market vacant.

For 2014, taking account of the improving economic situation and the trends already seen in other markets such as Madrid, the leading analysts expect higher absorption levels, with gross leasing expected of 225,000 m² for the year.

The vacancy rate should slightly decline owing to the new supply to be added to the market, the expected upturn in leasing levels and a reduction of vacant office stock owing to the change of some buildings to use as a hotel.

In view of the performance of rental prices in the last quarter of 2013, the leading brokers are forecasting a stabilisation of average rents in some market zones. In the rest, rents will continue to tighten in accordance with specific vacancy rates in each and the effective pace of leasing during the year.

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 par value of 1,710,000 euros, representing 0.76% of the Company's share capital. As a result of the capital reduction registered on 17 February 2014, the nominal value of treasury shares came to 427 thousand euros (Note 23).

7. Events after the end of the reporting period

See Note 23 of the financial statements of Inmobiliaria Colonial of 2013.

8. Other items

In accordance with the provisions of Article 116 bis of Securities Market Act 24 of 28 July 1988, introduced by Law 6 of 12 April 2007, Inmobiliaria Colonial, S.A. ("Colonial") discloses the following information:

a) The capital structure, including securities not listed on a regulated EU market, 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 section A.10 of the 2013 Annual Corporate Governance Report.

c) Significant direct and indirect shareholdings

See section 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 bylaws

Appointment and removal of members of the Board of Directors

See sections C.1.19 and C0.1.21 of the 2013 Annual Corporate Governance Report.

Modification of the Company's bylaws

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 bylaws to the General Shareholders' Meeting lie with the Board.

At a meeting on 15 October 2008, the Board of Directors of the Company agreed to jointly grant all legal and statutory powers to the CEO of the Company, except for those matters which may not be delegated under prevailing legislation. This resolution was ratified on 28 November 2008 by the Board of Directors once his appointment as 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 Management Report.