Inmobiliaria Colonial, S.A. and subsidiaries

Interim Consolidated Financial Statements and Explanatory Notes as at 30 June 2013, prepared in accordance with International Financial Reporting Standards, together with the Audit Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

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

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

(thousands of euros)

ASSETS	Note	30 June 2013	31 December 2012	EQUITY AND LIABILITIES	Note	30 June 2013	31 December 2012
Goodwill	7	120,000	120,000	Share capital		225,919	225,918
Intangible assets	-	1,892	1,498	Share premium		109	102
Property, plant and equipment	8	33,453	34,269	Parent Company reserves		1,083,512	1,083,591
Investment property	9	4,901,883	4,782,137	Prior years' losses in the Parent		(837,243)	-
Non-current financial assets	10	298,784	294,914	Reserves in consolidated companies		(193,660)	48,822
- Investments in associates		*290,807*	286,560	Valuation adjustments recognised in equity - financial instruments		(23,708)	(1,008)
- Other financial assets		*7,977*	8,354	Other equity instruments		4,753	3,955
Deferred tax assets	19	216,326	216,564	Treasury shares		(60,368)	(60,047)
Other non-current assets	11	30,659	30,663	Profit/(loss) for the period		(307,988)	(1,129,005)
NON-CURRENT ASSETS		**5,602,997**	**5,480,045**	**Equity attributable to owners of the Parent Company**		**(108,674)**	**172,328**
				Non-controlling interests		**1,242,953**	**1,219,637**
				EQUITY	14	**1,134,279**	**1,391,965**
				Bank borrowings and other financial liabilities	15 and 1	2,393,145	2,587,495
				Bonds and similar issued securities	15	994,581	993,574
				Deferred tax liabilities	19	249,162	237,164
				Provisions	18	804	2,038
				Other non-current liabilities	17	23,931	22,846
				NON-CURRENT LIABILITIES		**3,661,623**	**3,843,117**
				Bank borrowings and other financial liabilities	15 and 1	285,478	208,048
Trade and other receivables	12	64,860	48,607	Bonds and similar issued securities	15	10,640	13,619
Current financial assets	13	10,725	13,168	Trade payables	17	115,515	106,536
Tax receivables	19	19,740	18,817	Taxes payable	19	25,605	34,068
Cash and cash equivalents	15	57,845	69,017	Provisions	18	2,524	316
Non-current assets held for sale	25	1,068,841	1,623,806	Liabilities relating to assets held for sale	25	1,589,344	1,655,791
CURRENT ASSETS		**1,222,011**	**1,773,415**	**CURRENT LIABILITIES**		**2,029,106**	**2,018,378**
TOTAL ASSETS		**6,825,008**	**7,253,460**	**TOTAL EQUITY AND LIABILITIES**		**6,825,008**	**7,253,460**

Notes 1 to 28 and Appendices I and II of the accompanying notes to the interim consolidated financial statements are an integral part of the interim consolidated statement of financial position at 30 June 2013.

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

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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013

(thousands of euros)

Consolidated statement of comprehensive income	**Note**	**June 2013**	**June 2012**
Revenue	21	106,607	112,105
Other income	21	2,032	2,757
Employee benefits expense	21	(11,150)	(10,064)
Other operating expenses	21	(18,806)	(18,085)
Depreciation and amortisation expense		(688)	(661)
Net change in provisions	21	431	5,815
Net gain/(loss) on sales of assets	21	(3,341)	-
Operating profit		**75,085**	**91,867**
Change in fair value of investment property	21	33,995	55,566
Impairment charges and net gains/(losses) on assets	21	(550)	(1,444)
Finance income	21	10,114	13,231
Share of profit/(loss) of associates	10 and 21	11,583	9,310
Finance cost	21	(117,133)	(86,794)
Impairment of financial assets	13 and 21	(2,505)	(13,566)
Profit/(loss) before tax		**10,589**	**68,170**
Income tax expense	19	(18,779)	(7,316)
Consolidated net profit/(loss) from continuing operations		**(8,190)**	**60,854**
Loss from discontinued operations	25	(256,834)	(160,365)
Consolidated net profit/(loss)		**(265,024)**	**(99,511)**
Profit/(loss) for the period attributable to equity holders of the Parent Company		(307,988)	(178,145)
Profit/(loss) attributable to non-controlling interests	14	42,964	78,634
Basic earnings per share (€)	5	(1.373)	(0.790)
Diluted earnings per share (€)	5	(1.373)	(0.790)
Other comprehensive income			
Consolidated net profit/(loss)		**(265,024)**	**(99,511)**
Other components of comprehensive income recognised directly in equity		**23,310**	**8,600**
Net gain/(loss) on hedging instruments	16	25,995	(7,417)
Net gain/(loss) on available-for-sale financial assets	13	-	14,398
Other gains/(losses)		-	689
Income tax relating to components of other comprehensive income		(2,685)	930
Transfers to comprehensive income		**10,368**	**(13,506)**
Net gain/(loss) on hedging instruments	16	10,368	-
Net gain/(loss) on available-for-sale financial assets	13	-	(13,506)
Consolidated comprehensive income/(loss)		**(231,346)**	**(104,417)**
Total comprehensive income/(loss) for the period attributable to equity holders of the Parent Company		(281,489)	(180,967)
Total comprehensive income/(loss) attributable to non-controlling interests		50,143	76,550
Basic comprehensive income/(loss) per share (€)		(1.255)	(0.802)
Diluted comprehensive income/(loss) per share (€)		(1.255)	(0.802)

Notes 1 to 28 and Appendices I and II of the accompanying notes to the interim consolidated financial statements are an integral part of the interim consolidated statement of comprehensive income for the six-month period ended 30 June 2013.

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED
30 JUNE 2013

(thousands of euros)

	Note	Share capital	Share premium	Parent Company reserves	Prior years' losses in the Parent	Reserves in consolidated companies	Valuation adjustments recognised in equity - financial instruments	Gains/(losses) on available-for-sale financial assets	Treasury shares	Other equity instruments	Profit/(loss)	Non-controlling interests	Total
Balance at 31 December 2011	**14**	**225,918**	**93**	**1,065,456**	**-**	**49,421**	**2,467**	**(7,909)**	**(59,543)**	**2,445**	**14,914**	**1,037,761**	**2,331,023**
Total recognised income and expense for the period		-	-	-	-	689	(4,403)	892	-	-	(178,145)	76,550	**(104,417)**
Rights issue		-	9	(6)	-	-	-	-	-	(9)	-	-	**(6)**
Allocation of 2011 profit		-	-	18,287	-	(3,373)	-	-	-	-	(14,914)	(32,271)	**(32,271)**
Issuance of other equity instruments		-	-	(55)	-	-	-	-	-	55	-	-	**-**
Treasury share portfolio		-	-	-	-	(17)	-	-	(185)	-	-	(176)	**(378)**
Share-based payment transactions		-	-	-	-	-	-	-	-	617	-	-	**617**
Changes in scope of consolidation and other changes		-	-	-	-	396	-	-	-	-	-	548	**944**
Balance at 30 June 2012	**14**	**225,918**	**102**	**1,083,682**	**-**	**47,116**	**(1,936)**	**(7,017)**	**(59,728)**	**3,108**	**(178,145)**	**1,082,412**	**2,195,512**
Balance at 31 December 2012	**14**	**225,918**	**102**	**1,083,591**	**-**	**48,822**	**(1,008)**	**-**	**(60,047)**	**3,955**	**(1,129,005)**	**1,219,637**	**1,391,965**
Total recognised income and expense for the year		-	-	-	-	-	26,499	-	-	-	(307,988)	50,143	**(231,346)**
Rights issue		1	7	(35)	-	-	-	-	-	(8)	-	-	**(35)**
Allocation of 2012 profit		-	-	-	(837,243)	(291,762)	-	-	-	-	1,129,005	(33,394)	**(33,394)**
Issuance of other equity instruments		-	-	(44)	-	-	-	-	-	44	-	-	**-**
Treasury share portfolio		-	-	-	-	-	-	-	(321)	-	-	(283)	**(604)**
Share-based payment transactions		-	-	-	-	-	-	-	-	762	-	128	**890**
Changes in scope of consolidation and other changes		-	-	-	-	49,280	(49,199)	-	-	-	-	6,722	**6,803**
Balance at 30 June 2013	**14**	**225,919**	**109**	**1,083,512**	**(837,243)**	**(193,660)**	**(23,708)**	**-**	**(60,368)**	**4,753**	**(307,988)**	**1,242,953**	**1,134,279**

Notes 1 to 28 and Appendices I and II of the accompanying notes to the interim consolidated financial statements are an integral part of the interim consolidated statement of changes in equity for the six-month period ended 30 June 2013.

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013

(thousands of euros)	Note	June 2013	June 2012
CASH FLOWS FROM CONTINUING OPERATIONS			
1. CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit		75,085	91,867
Adjustments to profit			
Depreciation and amortisation (+)		688	661
Net changes in provisions (+/-)	21	(431)	(5,815)
Other	21	890	617
Gains/(losses) on disposal of investment properties (+/-)	21	3,341	-
Adjusted profit		79,573	87,330
Taxes paid (-)		(1,023)	(7,290)
Dividends received from associates (+)	10	9,067	1,275
Increase/(decrease) in current assets and liabilities			
Increase/(decrease) in receivables (+/-)		(16,526)	(9,182)
Increase/(decrease) in payables (+/-)		3,686	14,456
Increase/(decrease) in other current assets and liabilities (+/-)		(12,200)	(9,278)
Net cash generated by operating activities		**62,577**	**77,311**
2. CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Investments in (-)			
Intangible assets		(525)	(173)
Property, plant and equipment	8	(114)	(15)
Investment property	9	(79,206)	(64,132)
Financial assets		-	(757)
Equity investments, financial assets and other		(52,741)	-
		(132,586)	(65,077)
Disposals of (-)			
Property, plant and equipment	8	-	23
Financial assets	10	612	-
Investment property	9	305,180	-
		305,792	23
Net cash generated by/(used in) investing activities		**173,206**	**(65,054)**
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid (-)	14	(33,394)	(32,299)
Repayment of borrowings (-)		(163,821)	(304,014)
Interest paid (+/-)		(79,462)	(74,337)
Trading in treasury shares (+/-)		(604)	199
		(277,281)	(410,451)
Proceeds from bank funding (+)		30,423	363,642
Expenses associated with rights issues		(35)	(16)
Other proceeds/(payments) for current financial assets and other (+/-)		(62)	1,350
		30,326	364,976
Net cash generated by/(used in) financing activities		**(246,955)**	**(45,475)**
4. NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS			
Net cash flows for the period used in continuing activities		**(11,172)**	**(33,218)**
Cash and cash equivalents at the beginning of the period		**69,017**	**65,926**
Cash and cash equivalents at the end of the period		**57,845**	**32,708**
CASH FLOWS FROM DISCONTINUED OPERATIONS			
1. Net cash generated by/(used in) operating activities		12,887	(12,516)
2. Net cash generated by/(used in) investing activities		52,837	(292)
3. Net cash used in financing activities		(69,157)	(1,213)
CASH FLOWS FUSED IN DISCONTINUED OPERATIONS	25	**(3,433)**	**(14,021)**

Notes 1 to 28 and Appendices I and II of the accompanying interim consolidated financial statements are an integral part of the interim consolidated statement of cash flows for the six-month period ended 30 June 2013.

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Inmobiliaria Colonial, S.A. and subsidiaries

Notes to the interim consolidated financial statements for the six-month period ended 30 June 2013

1. Colonial Group business activity

Group Activity

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

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

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

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

In 2010, the spin-off and contribution to subsidiary Asentia Project, S.L.U. of the land and development business, including shares in 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 Parent 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) merged into Inmobiliaria Colonial, S.A. (surviving company).

All the aforementioned transactions 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 transactions is detailed in the separate financial statements of the Parent in the years concerned.

Inmobiliaria Colonial, S.A.'s shares trade on the Madrid, Barcelona, Valencia and Bilbao stock exchanges.

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

2. Basis of presentation of the interim consolidated financial statements

a) Basis of presentation

The interim consolidated financial statements of Inmobiliaria Colonial, S.A. and subsidiaries for the six-month period ended 30 June 2013 were authorised for issue by the Parent's directors at a board meeting on 31 July 2013, and were prepared on the basis of the accounting records kept by the Parent and by the other companies that make up the Colonial Group.

These interim consolidated financial statements have been prepared under the International Financial Reporting Standards (IFRS) endorsed by the European Union, applying all mandatory accounting principles, standards and measurement criteria, in keeping with the Spanish Code of Commerce, the Spanish Corporate Enterprises Act, the Spanish Securities Markets Act and other applicable company law, to present a true and fair view of the Colonial Group's consolidated equity and financial position at 30 June 2013 and of the comprehensive income from its operations and changes in consolidated equity and cash flows for the six-month period then ended.

However, since the accounting policies and measurement bases used in preparing the Group's interim consolidated financial statements at 30 June 2013 may differ from those used by certain Group companies, the required adjustments and reclassifications were made on consolidation to unify the policies and bases used and to make them compliant with IFRS.

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

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

b) Adoption of International Financial Reporting Standards

The Colonial Group's interim consolidated financial statements are presented in accordance with IFRS, pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002. In Spain, the requirement to present consolidated financial statements under European IFRS is in turn legislated for in final provision eleven of Law 62/2003, of 30 December, on tax, administrative and social order measures.

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

Standards and interpretations effective in 2013

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

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

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

Standards and interpretations in issue but not yet effective

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

New standards, amendments and interpretations		**Mandatory application in annual periods beginning on or after**
IFRS 9 - Financial Instruments: Classification and Measurement (published in November 2009 and October 2010) and subsequent amendments of IFRS 9 and IFRS 7 on effective date and transition disclosures (published in December 2011)	Replaces the rules for the classification and measurement of financial assets and liabilities and for derecognition established in IAS 39	Annual periods beginning on or after 1 January 2015
IFRS 10 – Consolidated Financial Statements (published in May 2011)	Replaces the parts of IAS 27 that deal with consolidated financial statements	Annual periods beginning on or after 1 January 2014
IFRS 11 – Joint Arrangements (published in May 2011)	Replaces IAS 31 Interests in Joint Ventures	Annual periods beginning on or after 1 January 2014
IFRS 12 – Disclosure of Interests in Other Entities (published in May 2011)	Single disclosure standard applicable to entities that have interests in subsidiaries, associates, joint arrangements and associates and/or unconsolidated structured entities	Annual periods beginning on or after 1 January 2014
Transition guidance: Amendments to IFRS 10, 11 and 12 (published in June 2012)	Clarification on the transition rules applying to these standards	Annual periods beginning on or after 1 January 2014
IAS 27 (as revised) – Separate Financial Statements (published in May 2011)	The revision to this standard was warranted by the issuance of IFRS 10 which means that IAS 27 will only apply to an entity's separate financial statements going forward.	Annual periods beginning on or after 1 January 2014
IAS 28 (as revised) – Investments in Associates and Joint Ventures (published in May 2011)	This revision is parallel to the issuance of IFRS 11 - Joint Arrangements.	Annual periods beginning on or after 1 January 2014
Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities (published in December 2011)	Additional clarification on the IAS 32 rules for offsetting financial assets and liabilities and introduction of new disclosure requirements under IFRS 7.	Annual periods beginning on or after 1 January 2014
Investment entities: Amendment to IFRS 10, IFRS 12 and IAS 27 (published in October 2012)	Provides an exemption from consolidation for parent companies meeting the definition of investment entity	Annual periods beginning on or after 1 January 2014
Amendment to IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets (published in May 2013)	Clarifies the additional disclosures required about the measurement when recoverable amount is based on fair value less costs of disposal	Annual periods beginning on or after 1 January 2014
IFRIC 21 Levies (published in May 2013)	Interpretation on when to recognise a liability for levies charged for participation in a market on a specified date	Annual periods beginning on or after 1 January 2014

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

(2) Update approval status by the European Union for the preparation of the financial statements.

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

Application of IFRS 11 will imply the need to use the equity method of accounting for certain interests currently consolidated using proportionate consolidation (Note 2.e). This will entail reclassifying all the assets and liabilities of each of the consolidated entities formerly accounted for using the proportionate method of consolidation within a single investment heading under "Non-current financial assets – Investments in associates" in the consolidated statement of financial position.

The subsidiaries that will be affected by IFRS 11 are the Romanian companies Goldale Real Estate S.R.L. and Masterange Imobiliare S.R.L., both of which are classified as assets held for sale. The accounting change will reduce "Non-current assets held for sale" by 8,224 thousand euros and "Liabilities relating to assets held for sale" by 46 thousand euros.

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

c) Functional currency

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

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

The information in these interim consolidated financial statements is the responsibility of the Parent's directors. Estimates based on objective data provided by management were made to quantify certain assets, liabilities, revenues, expenses and commitments recognised in the financial statements. These estimates and criteria related to the following:

- Going concern principle (Note 2.i)

- The recoverability of tax credits in respect of tax loss carryforwards and deferred tax assets recognised in the consolidated statement of financial position (Notes 4.m and 19)

- Goodwill impairment testing (Notes 4.a and 7).

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

- Impairment losses on certain inventories as a result of lower property appraisals by independent experts vis-à-vis the carrying amounts of these assets (Note 4.s)

- Provisions relating to the defined-benefit pension plans at SFL Group. At the end of each reporting period, the Group calculates the required provision for the SFL Group pension plans on the basis of calculations prepared by independent actuaries.

Although these estimates were made on the basis of the best available information at the date of authorising these interim consolidated financial statements for issue, it is feasible that future events could oblige the Group to modify these amounts (upwards or downwards), which would mean (except for goodwill impairment charges, which cannot be reversed in the future (Note 4.a)) prospectively recognising the effects of said changes in the corresponding consolidated statement of comprehensive income, pursuant to IAS 8.

e) Basis of consolidation

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

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

2. The results of subsidiaries acquired or sold during the period are included within consolidated earnings from the effective acquisition date, or discontinued as of the disposal date, as appropriate.

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

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

5. The interest of non-controlling shareholders is established in proportion to the fair value of identifiable assets and liabilities recognised. Recognition of non-controlling interests is as follows:

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

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

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

    Full consolidation:

    - Subsidiaries are fully consolidated. Subsidiaries are those companies in which the Group has the power to influence financial and operating policy; this is generally accompanied by a majority interest in the entity's voting rights. When evaluating whether the Group can exercise control over an entity, management takes into consideration the existence and impact of any potential voting rights as a result of options that can be exercised or converted by year-end.

    - The purchase method is used to consolidate subsidiaries acquired in business combinations. The acquisition cost is the fair value of the assets delivered, the equity instruments issued and the liabilities incurred or assumed at the acquisition date. Identifiable assets acquired and identifiable liabilities and contingencies incurred in a business combination are measured initially at fair value at the acquisition date, regardless of the stake held by non-controlling shareholders. When the acquisition cost is higher than the fair value of the interest in the identifiable net assets acquired by

the Group, the difference is recognised as goodwill. If the acquisition cost is lower than the fair value of the net assets of the acquiree, the difference is recognised directly in the consolidated statement of comprehensive income (see Appendix I for details of companies consolidated at 31 December 2012 and 30 June 2013).

Proportionate consolidation:

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

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

The equity method:

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

- Associates are entities in which the Colonial Group has significant influence but neither control nor joint control. Significant interest is generally evidenced by an interest of between 20% and 50% in the voting shares of a company.

- The Group's share in an associate's post-acquisition profits or losses is recognised in the consolidated statement of comprehensive income, while its share in subsequent changes in equity recognised directly in the associate's reserves are also recognised directly in the Group's equity. Subsequent measurement: the initial investment is increased or decreased to recognise the accumulated aforementioned changes. The Group records its share of its associates' losses until the carrying amount of its investment is reduced to nil. No further losses are recorded by the Colonial Group unless it has an obligation, legal or constructive, or has made payments, to satisfy the associate's liabilities.

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

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

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

f) Changes in the scope of consolidation

In 2013, the Parent's stake in SFL was reduced from 53.451% to 53.142% as a result of the debt refinancing agreement reached with the subsidiary DUE's financing entity (Note 25). The reduction was through the sale of 143,765 shares in SFL for a total of 6,513 thousand euros.

The impact of the change in the scope of consolidation on the main items of the interim consolidated statement of financial position at 30 June 2013 is as follows:

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

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

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

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

- On 26 December 2012, subsidiary SFL took over SAS Parholding, SC Parchamps, SC Pargal and SC Parhaus, over which until then it held joint control with Prédica. These companies were taken over as a consequence of the shareholders' agreement signed with Prédica, by which SFL came to control their financial and operating policies. The agreement has been in effect since 31 December 2012. Consequently, at 31 December 2012 and at 30 June 2013, the companies were fully consolidated, whereas at 30 June 2012 they were proportionately consolidated.

The interim consolidated statement of comprehensive income at 30 June 2013 reflects 100% of the results from these companies, while the same statement at 30 June 2012 only reflects the Colonial Group's proportionate share in these results. The impact of the change in the scope of consolidation on the main items of the interim consolidated statement of comprehensive income at 30 June 2013 is as follows:

Consolidated statement of comprehensive income	June 2013
Revenue	6,491
Other income	742
Other operating expenses	(1,437)
Net change in provisions	(16)
Operating profit	**5,780**
Change in fair value of investment property	12,908
Finance income	9
Finance cost	(1,610)
Profit/(loss) before tax	**17,087**
Income tax expense	(5,980)
Consolidated net profit/(loss) from continuing operations	**11,107**
Consolidated net profit/(loss)	**11,107**
Profit/(loss) for the period attributable to equity holders of the Parent Company	-
Profit/(loss) attributable to non-controlling interests	11,107

At 30 June 2012 and 2013, the subsidiaries Asentia Invest, S.L.U., Asentia Gestión, S.L.U., MAUD SAS (formerly SB1 SAS), SB2 SAS, SB3 SAS and SCI SB3 were dormant. At both date, Live in Spain, S.L. and Ariete, S.A. were in liquidation.

g) Comparative information

The information included in the interim consolidated financial statements at 30 June 2013 is presented, for comparison purposes, with the information for the six-month period ended 30 June 2012.

h) Seasonality of operations

The Group's principal activity is the management of investment property and real-estate development (property business). Consequently, the Group's operations, beyond the variations derived from cyclical trends in each market and business in which it operates, are not considered to be highly seasonal.

i) Going concern principle

At 30 June 2013 and at 31 December 2012, the Colonial Group incurred significant losses, mainly as a result of the impairment of real estate assets in the Asentia Project subgroup (Note 25) and the write-off of tax credits and goodwill impairment recognised in 2012.

Consequently, the consolidated equity attributed to equity holders of the Parent is negative in the amount of 108,674 thousand euros. Nevertheless, Inmobiliaria Colonial, S.A.'s equity at 30 June 2013 stands at 371,922 thousand. As this is higher than its share capital, the Company does not meet any of the grounds for mandatory winding up or an obligatory reduction in share capital.

In addition, at 30 June 2013, consolidated working capital is negative in the amount of 807,095 thousand euros. When authorising these interim consolidated financial statements for issue, the Parent's directors took into account the following:

- Non-current assets held for sale in the Asentia Project subgroup and the associated liabilities generate negative working capital in the amount of 599,973 thousand. As financial recourse to Inmobiliaria Colonial in respect of these net liabilities has been set up (Note 25), the Parent Company does not foresee any payments in that regard.
- The SFL subgroup contributed negative working capital of 180,806 thousand euros, primarily due to bank borrowings maturing in the short term (191,141 thousand euros). In that regard, the SFL subgroup has undrawn bank financing available in the amount of 725,000 thousand euros, of which 650,000 thousand euros mature in the long-term.
- The cash flow budget of the Parent Company and the subsidiaries Abix Service, S.L.U. and Torre Marenostrum, S.A. will allow the Group to meet its short-term payment commitments.

In addition, Inmobiliaria Colonial, S.A. is currently in conversations with its primary banking lenders to explore the different alternatives allowing it to reduce its debt and to extend debt maturities, which primarily fall due in December 2014 (Note 15). As part of this process, the Group is studying different strategic options in order to optimise the capital and financing structure while reducing the debt level. These options include the sale of assets (including the full or partial sale of the holding in SFL) and possible capital increases. However, at the date of issue of these interim consolidated financial statements, no decision has been firmly adopted in that regard.

As described in Note 15, the Parent Company's syndicated debt is subject to compliance with several covenants. At 30 June 2013, the Parent has complied with all the covenants. At present, the Parent does not expect that it will fail to comply with any of the financial covenants in 2013. If it breaches the covenants, it would be handled within the framework of the conversations that the Parent has initiated with its lenders, given that the final agreement with those lenders is expected to be signed prior to 31 December 2013.

3. Distribution of the Parent’s losses

As the interim consolidated financial statements cover only the six-month period ended 30 June 2013, and this an interim period, the Board of Directors of the Parent Company have not yet proposed the distribution of the Parent's losses.

4. Significant accounting policies

The main accounting policies used to prepare the interim consolidated financial statements in accordance with IFRS and the prevailing interpretations at the time of the preparation of these statements are as follows:

a) Business combinations and goodwill (Note 7)

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

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

If the cost of the business combination is less than the acquirer's interest in the fair values of the net assets acquired, the difference is recognised immediately in the statement of comprehensive income.

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

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

The Parent's Directors test each CGU for impairment at year-end or whenever there are indications that the CGU has suffered an impairment loss by comparing the carrying amount of the aforementioned CGU, including allocated goodwill, with its recoverable amount When preparing the interim consolidated financial statements, the Parent Company used the impairment test applied at 31 December 2012, as there were no indications of impairment and the IFRS requirements for using the most recent calculation (IAS 36) had been met. These requirements stipulate that the assets and liabilities making up the CGU must not have changed significantly since the most recent recoverable amount calculation, the most recent recoverable calculated resulted in an amount that exceeded the carrying amount, and that, based on an analysis of events occurred and circumstances that have changed since the prior close, no additional impairment is expected in goodwill at the end of the interim period.

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

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

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

Goodwill impairment losses may not be reversed subsequently.

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

Properties for own use

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

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

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

Other P,P&E

The assets included under "Other P,P&E" are measured at acquisition cost less accumulated depreciation and impairment, revalued pursuant to 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.

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

	Years of estimated useful life	
	Spain	France
Properties		
Buildings	50	50
Fixtures	10 to 15	10 to 50
Other installations	5 to 20	10 to 50
Other P,P&E	3 to 10	5 to 40

Gains or losses recognised on the sale or retirement of an asset recognised under this heading are stated at the difference between net carrying amount and the sale price, and are taken to the consolidated statement of comprehensive income under "Other operating expenses - Other expenses" (Note 21.d).

c) Investment property (Notes 9 and 25)

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

The gains or losses arising from fluctuations in the fair value of investment property are taken to income in the same period in which they occur. These gains or losses are not included in operating profit as the changes in valuation are not directly within the control of the Group's management.

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

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

In accordance with IAS 40, the Group calculates the fair value of its investment property on a regular basis. Fair value is determined based on the valuations made by independent experts (Jones Lang LaSalle in Spain and CB Richard Ellis Valuation, Jones Lang La Salle and Atis Real in France, in both 2012 and 2013) at the date of preparing the consolidated statement of financial position, so that the year-end fair values for investment property items reflect prevailing market conditions. The valuation reports prepared by independent experts contain only the standard warnings and disclaimers concerning the scope of the findings of the appraisals carried out, referring basically to the comprehensiveness and accuracy of the information provided by the Group.

The methodology used to determine the market value of the Group's investment property in 2012 and 2013 is the income capitalisation method, which consists of capitalising the net estimated income generated by each

property over the rental period and on reversion. This involves the capitalisation of the actual income throughout the period, together with a valuation of estimated future rents after updating the rents or formalising new lease agreements in each period, based on current values in each case. The yield applied to each category of income reflects all the forecasts and risks associated with the cash flows and the investment.

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

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

The estimated yields are determined by the type, age and location of the properties.

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

Yields (%) - Offices	30 June 2012	31 December 2012	30 June 2013
Barcelona – Prime Yield			
Leased out	6.11	6.36	6.39
Total portfolio	6.12	6.36	6.39
Madrid – Prime Yield			
Leased out	6.09	6.31	6.30
Total portfolio	6.08	6.27	6.32
Paris – Prime Yield			
Leased out	5.14	5.04	5.12
Total portfolio	5.19	5.05	5.18

Assumptions made at 30 June 2013					
Rental increases (%) - offices	Year 1	Year 2	Year 3	Year 4	Year 5 and thereafter
Barcelona –					
Leased out	2.5	2.5	2.5	2.5	2.5
Total portfolio	2.5	2.5	2.5	2.5	2.5
Madrid –					
Leased out	2.5	2.5	2.5	2.5	2.5
Total portfolio	2.5	2.5	2.5	2.5	2.5
Paris –					
Leased out	0.1	2.4	2.0	2.3	2.3
Total portfolio	0.2	2.3	2.0	2.3	2.3

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

Assumptions made at 30 June 2012					
Rental increases (%) - Offices	Year 1	Year 2	Year 3	Year 4	Year 5 and thereafter
Barcelona –					
Leased out	-3.6	1.5	3.2	3.4	0.3
Total portfolio	-3.6	1.5	3.2	3.4	0.3
Madrid –					
Leased out	-6.8	-4.2	4.3	10.4	5.7
Total portfolio	-6.8	-4.2	4.3	10.4	5.7
Paris –					
Leased out	-3.6	0.0	2.5	1.2	1.2
Total portfolio	-3.6	0.0	2.5	1.2	1.2

A change of one-quarter of one point in yields would have the following impact on the valuations used by the Group at 30 June 2013, 31 December 2012 and 30 June 2012 to determine the value of its investment property:

	Thousands of euros		
Sensitivity of valuations to changes of one-quarter of one point in the yield	Valuation	Decrease of one-quarter of one point	Increase of one-quarter of one point
June 2013	5,047,230	+263,458	-240,085
December 2012	5,243,469	+284,411	-255,472
June 2012	4,942,869	+246,085	-223,733

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

The following table details the borrowing costs capitalised during the six-month periods ended 30 June 2012 and 2013:

	Thousands of euros	
	Amount capitalised during the period	Average interest rate
Six-month period ended 30 June 2012:		
Inmobiliaria Colonial, S.A.	438	3.33%
SFL subgroup	4,277	4.51%
Total for the six-month period ended 30 June 2012:	**4,715**	**-**
Six-month period ended 30 June 2013:		
Inmobiliaria Colonial, S.A.	28	3.23%
SFL subgroup	5,555	3.63%
Total for the six-month period ended 30 June 2013:	**5,583**	**-**

The rental income earned during the six-month periods ended 30 June 2012 and 2013 from the lease of these investment properties amounted to 112,105 thousand and 106,607 thousand euros, respectively (Note 21.a), and is recognised under “Revenue” in the accompanying consolidated statement of comprehensive income.

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

Assets held under finance leases

The rights of use and purchase options arising from property, plant and equipment and investment properties classified as finance leases are recorded at the asset’s cash value at acquisition, according to the underlying asset whenever the lease terms transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group. At 31 December 2012 and 30 June 2013, all these rights relate to investment property and are therefore measured at market value and not depreciated.

“Bank borrowings and other financial liabilities” (Note 15), both current and non-current, in the consolidated statement of financial position include the total liability from lease payments less deferred expenses. Financial transaction expenses are charged to the consolidated statement of comprehensive income each time a lease payment is made throughout the life of the lease in accordance with financial criteria.

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

d) Impairment of property, plant and equipment

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

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

e) Financial instruments (excluding derivative financial instruments)

Financial assets (Notes 10, 12 and 25)

Initial measurement

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

Classification and subsequent measurement

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

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

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

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

- Loans and receivables: this heading includes loans granted to third parties and associates. They are measured at face value and classified according to maturity. This heading also includes non-current deposits and guarantees granted, primarily in relation to deposits made with official entities in connection with security deposits collected from tenants, in accordance with prevailing legislation.

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

Financial liabilities (Notes 15 and 25)

Financial liabilities consist primarily of loans from banks.

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

Financial liabilities are derecognised when the obligations giving rise to them cease to exist. When a debt instrument swap takes place between the Group and a third party, as long as these instruments have substantially different conditions, the Group derecognises the original financial liability and recognises the

new financial liability. The difference between the carrying amount of the original liability and the payment received, including any attributable transaction costs, is recognised in the consolidated statement of comprehensive income.

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

f) Receivables (Notes 12 and 25)

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

At 31 December 2012 and 30 June 2013, the Group had no receivables past due but not impaired.

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

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

h) Own equity instruments (Note 14)

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

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

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

i) Provisions and contingent liabilities (Notes 18 and 20)

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

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

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

The interim consolidated financial statements include all the material provisions with respect to which it is considered more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised, but are disclosed in Note 20.

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

j) Employee benefits

Termination benefits

Under current legislation, the Group is required to pay severance to employees terminated under certain conditions. Severance payments which can be reasonably quantified are recorded as a cost in the financial year in which the decision to terminate the contract is taken and a reasonable expectation regarding termination is transmitted to third parties. No provision was recognised in this connection either at 30 June 2013 or at 31 December 2012.

Pension obligations

At 30 June 2013, the SFL subgroup had several defined-benefit pension plans. Defined-benefit commitments are calculated periodically by independent actuarial experts. The actuarial assumptions currently used to calculate these liabilities are adapted to applicable French legislation, in accordance with IAS 19. The actuarial cost recorded in the consolidated statement of comprehensive income in relation to said plans is the sum of the service costs for the period, interest expense and actuarial gains and losses. At 30 June 2013, the amount recognised in the accompanying interim consolidated statement of financial position in this connection was 915 thousand euros (1,043 thousand euros at 31 December 2012).

Share-based payment transactions

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

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

The Parent has a long-term bonus scheme which can be settled only with shares of Inmobiliaria Colonial, S.A. Services received are measured at the fair value (quoted price) of the shares of Inmobiliaria Colonial, S.A. when the bonus scheme was approved.

k) Derivative financial instruments (Note 16 and 25)

The Group uses financial derivatives to manage its exposure to variations in interest rates. All derivative financial instruments, whether or not designated as hedging instruments, are carried at fair value: market value in the case of listed securities, or according to option valuation methods or discounted cash flow analysis for non-listed securities. The following valuation criteria have been applied:

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

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

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

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

l) Current / non-current

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

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

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

m) Income tax (Note 19)

General regime

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

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

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

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

SIIC regime – SFL subgroup

Since 1 January 2003, the SFL subgroup companies file under the French tax regime applicable to listed real estate investment companies ("the SIIC regime"). This regime enabled the recognition at market value of

assets allocated to the rental business at 1 January 2003, subject to a tax rate of 16.5% ("exit tax"), payable within a period of four years, on the capital gains from the asset revaluations recorded for accounting purposes as of this date.

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

This regime affords the SFL subgroup an exemption from taxes on earnings generated by the rental business and on capital gains generated by the sale of properties, provided that 85% of profit from that activity and 50% of the capital gains obtained on property sales are distributed each year in the form of dividends.

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

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

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

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

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

The Colonial Group recognises a deferred tax in connection with the asset revaluations under the SIIC regime, calculated as the minimum stipulated dividend under the regime, in the event that all capital gains on the investment properties recognised by the SFL Group are realised. The capital gains generated are capitalised at an annual rate of 3% over a 10-year period and discounted at a rate of 4.1% (5.2% in 2010). The effective tax rate used to calculate the deferred tax was 11.15%.

In this connection, deferred tax of 20,896 thousand euros was recognised in the interim consolidated statement of financial position both at 31 December 2012 and 30 June 2013.

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

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

The deferred tax recognised in connection with the aforementioned business combination as a result of the purchase price allocation to investment properties and properties in progress at subsidiaries Inmobiliaria Colonial, S.A., Subirats-Coslada-Logística, S.L.U. (absorbed companies), and Torre Marenostrum, S.L. (Note

1) was calculated applying a tax rate of 30%, net of the monetary correction allocable to each asset item, to 31.422% of the total purchase price allocated thereto.

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

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

Deferred tax assets for tax loss carryforwards

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

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

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

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.

As a result of the application of IFRS, the Group recognises all accrued revenues and associated expenses. Revenues from goods sold are recognised when the goods have been delivered and ownership transferred.

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

Operating leases

Leases are classified as finance leases whenever their terms imply that substantially all the risks and rewards incidental to ownership of the leased asset have been transferred. All other leases are classified as operating leases. At 30 June 2012 and 2013, all of the Group's leases qualified as operating leases, except for the finance leases indicated in Note 9.

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

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

o) Borrowing costs

Borrowing costs directly allocable to the acquisition, construction or production of qualifying investment property or real estate developments (Notes 4.c and 4.s, respectively), which are assets that require preparation during a significant period of time for their intended use or sale, are capitalised until these assets are substantially in condition for their intended use or sale (Notes 9 and 25).

p) Consolidated statement of cash flows (indirect method)

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

- Cash flows: inflows and outflows of cash and cash equivalents. Cash equivalents are highly liquid short-term investments subject to insignificant risk of changes in value (Note 4.g)

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

- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

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

q) Costs passed on to tenants

In accordance with IFRS, the Group does not consider costs passed on to lessees of its investment property as revenue. In the six-month periods ended 30 June 2012 and 2013, the Group invoiced 19,582 thousand and 21,410 thousand euros, respectively, in connection with costs passed on to tenants, recognising them as a reduction in the related expense heading in the interim consolidated statement of comprehensive income.

Direct operating expenses associated with investment properties which generated rental income during the six-month periods ended 30 June 2012 and 2013, included under "Operating profit" in the accompanying interim consolidated statements of comprehensive income, amounted to 33,384 thousand and 32,944 thousand euros, respectively. Expenses incurred in connection with investment properties that did not generate rental income were not material.

r) Related party transactions

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

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

s.1) Non-current assets held for sale

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

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. This condition is met when the sale of the asset is

considered highly probable, the asset is in condition to be sold immediately and the sale is expected to be fully realised within a period of no more than twelve months from its classification as a held-for-sale asset.

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

s.2) Discontinued operations

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

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

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

- is a subsidiary acquired exclusively to be resold.

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

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

At 31 December 2012 and 30 June 2013, the Parent carried its interest in Asentia Project, S.L.U. as a non-current asset held for sale and the activity of its land and development business segment as a discontinued operation.

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

Property, plant and equipment held under concession

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

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

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

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

The methodology used to determine the market value of the property held by the Group under concessions in 2012 and 2013 is the income capitalisation method, which consists of capitalising the net estimated income generated by each property over the rental period and on reversion. This involves the capitalisation of the actual income throughout the period, together with a valuation of estimated future rents after updating the rents or formalising new lease agreements in each period, based on current values in each case. The yield applied to each category of income reflects all the forecasts and risks associated with the cash flows and the investment.

The Group begins to depreciate concession assets when they are ready for use, i.e., when they are in the condition necessary for the exploitation envisaged by the Parent's management. The Group depreciates these assets on a straight-line basis based over the shorter of the term of the concession arrangement or the asset's useful life.

In addition, in accordance with IAS 37, Group subsidiary Necsa has capitalised the present value of the estimated future cost of delivering the various concessions in suitable repair at the end of the concession term. This present value amounted to 8,960 thousand euros.

Inventories

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

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

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

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

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

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

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

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

The table below details the borrowing costs capitalised during the six-month periods ended 30 June 2012 and 2013:

	Thousands of euros	
	Amount capitalised during the period	Average interest rate
Six-month period ended 30 June 2012:		
Desarrollos Urbanísticos Entrenúcleos, S.L.U.	2,991	4.26%
Total 2012:	**2,991**	**-**
Six-month period ended 30 June 2013:		
Desarrollos Urbanísticos Entrenúcleos, S.L.U.	3,961	5.44%
Total 2013:	**3,961**	**-**

Current / non-current

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

5. Earnings per share

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

Diluted earnings per share are calculated in a manner similar to basic earnings per share, except that the weighted average number of shares outstanding is adjusted to take into account the potential dilutive effect of the convertible bonds outstanding at the end of the period (Note 14).

On 28 July 2010 and 25 January 2011, the Parent raised to public deed the issuance of warrants in connection with the financings of Asentia Project, S.L.U. and Abix, S.L.U. (Note 15), in the amounts of 275,000 thousand and 23,333 thousand euros, respectively. At 30 June 2013, none of the conditions under which the holders may exercise their warrants was met; accordingly their dilutive effect has not been taken into consideration.

	Thousands of euros	
	30 June 2013	30 June 2012
Consolidated profit/(loss) for the period attributable to owners of the Parent	**(307,988)**	**(178,145)**
- from continuing operations	(63,551)	(21,240)
- from discontinued operations (Note 25)	(244,437)	(156,905)
	No, of shares	No, of shares
Weighted average number of ordinary shares ('000)	224,209	225,535
Number of potential ordinary shares resulting from conversion of bonds ('000) (Note 14)	79	75
Weighted average number of ordinary shares - diluted ('000)	224,209	225,535
	euros	euros
Basic earnings per share	**(1.373)**	**(0.790)**
- from continuing operations	(0.283)	(0.094)
- from discontinued operations	(1.090)	(0.696)
Diluted earnings per share	**(1.373)**	**(0.790)**
- from continuing operations	(0.283)	(0.094)
- from discontinued operations	(1.090)	(0.696)

For information purposes, the conversion of the warrants outstanding on 30 June 2013, assuming an exercise price of 12 euros per share, would give rise to the issuance of 24,861 thousand shares. The weighted average number of ordinary shares diluted, including the impact of conversion of the warrants since 1 January 2013 would be 249,070 thousand shares, leaving a diluted loss per share of 1.237 euros.

6. Segment reporting

Segmentation criteria

The information by segments is organised, firstly, on the basis of the business segments of the Group, and, secondly, following the geographical segment format.

The business segments described below have been defined in line with the Colonial Group's organisational structure at 30 June 2013, which has been used by the Group's management to analyse the financial performance of the various operating segments.

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

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

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

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

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

Basis and methodology for segment reporting

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

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

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

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

Segment information of these businesses is as follows:

2013 segment reporting

	Thousands of euros							
	Rentals					Development & land	Corporate Unit	Total Group
	Barcelona	Madrid	Paris	Other	Total rentals			
Revenue	14,835	18,448	75,356	-	108,639	-	-	108,639
Revenue (Note 21.a)	14,819	17,154	74,634	-	106,607	-	-	106,607
Other income (Note 21.b)	16	1,294	722	-	2,032	-	-	2,032
Net gain/(loss) on sales of assets (Note 21.f)	(267)	(892)	(2,182)	-	(3,341)	-	-	(3,341)
Operating profit/(loss)	10,685	16,744	66,572	(62)	93,938	-	(18,853)	75,085
Change in fair value of investment property (Note 21.f)	(26,119)	(21,753)	81,644	222	33,995	-	-	33,995
Net impairment charges (Note 21.e)	-	-	-	-	-	-	(550)	(550)
Net finance cost (Note 21.g)	-	-	-	-	-	-	(97,941)	(97,941)
Profit/(loss) before tax	-	-	-	-	-	-	10,589	10,589
Consolidated net profit/(loss) from continuing operations	-	-	-	-	-	-	(8,190)	(8,190)
Loss from discontinued operations (Note 25)	-	(4,673)	-	(11,939)	(16,612)	(202,754)	(37,468)	(256,834)
Consolidated net profit/(loss)	-	-	-	-	-	-	(265,024)	(265,024)
Profit/(loss) attributable to non-controlling interests (Note 21.i)	-	-	-	-	-	-	42,964	42,964
Profit/(loss) attributable to owners of the Parent (Note 5)	-	-	-	-	-	-	(307,988)	(307,988)

There were no significant inter-segment transactions in the six-month period ended 30 June 2013, except for those indicated in Note 25 in respect of debt restructuring in Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U.

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

	Thousands of euros							
	Rentals					Development & land	Corporate Unit	Total Group
	Barcelona	Madrid	Paris	Other	Total rentals			
Assets								
Goodwill (Note 7)	-	-	120,000	-	120,000	-	-	120,000
Intangible assets, property, plant and equipment and investment property (Notes 8 and 9)	544,965	666,303	3,693,041	-	4,904,309	-	32,918	4,937,227
Financial assets	8,868	(874)	863	-	8,857	-	67,690	76,547
Investments in associates (Note 10)	-	-	290,807	-	290,807	-	-	290,807
Other non-current assets	-	-	159	-	159	-	246,827	246,986
Trade receivables and other current assets	-	-	-	-	-	-	84,600	84,600
Non-current assets held for sale (Note 25)	17,860	50,455	-	11,155	79,470	989,371	-	1,068,841
Total	**571,693**	**715,884**	**4,104,870**	**11,155**	**5,403,602**	**989,371**	**432,035**	**6,825,008**

	Thousands of euros							
	Rentals					Development & land	Corporate Unit	Total Group
	Barcelona	Madrid	Paris	Other	Total rentals			
Liabilities								
Bank borrowings and other financial liabilities (Note 15)	-	-	-	-	-	-	2,678,623	2,678,623
Bonds and similar securities issued (Note 15)	-	-	-	-	-	-	1,005,221	1,005,221
Trade liabilities (suppliers and payables)	-	-	-	-	-	-	117,517	115,515
Other disclosures								
Investments in intangible assets, property, plant and equipment and investment property	1,599	4,501	80,108	-	86,208	-	115	86,323

	Thousands of euros							
	Rentals					Development & land	Corporate Unit	Total Group
	Barcelona	Madrid	Paris	Other	Total rentals			
Other disclosures								
Depreciation and amortisation expense	(1)	-	(215)	-	(216)	-	(472)	(688)
Expenses that do not entail outflows of cash other than the depreciation and amortisation charge for the period								
Changes in provisions	(62)	1,167	343	-	1,448	-	983	431
Change in fair value of investment property (Note 21.f)	(26,119)	(21,753)	81,645	222	33,995	-	-	33,995
Impairment charges and net gains/(losses) on assets (Note 21.e)	-	-	-	-	-	-	(550)	(550)

2012 segment reporting

	Thousands of euros							
	Rentals					**Development & land**	**Corporate Unit**	**Total Group**
	Barcelona	Madrid	Paris	Other	Total rentals			
Revenue	15,324	22,210	74,571	-	112,105	-	2,757	114,862
Revenue (Note 21.a)	15,324	22,210	74,571	-	112,105	-	-	112,105
Other income (Note 21.b)	-	-	-	-	-	-	2,757	2,757
Net gain/(loss) on sales of assets (Notes 21.f)	-	-	-	-	-	-	-	-
Operating profit/(loss)	13,285	18,518	66,500	-	98,303	-	(6,436)	91,867
Change in fair value of investment property (Note 21.f)	(21,867)	(59,180)	136,613	-	55,566	-	-	55,566
Net impairment charges (Note 21.e)	-	-	-	-	-	-	(1,444)	(1,444)
Net finance cost (Note 21.g)	-	-	-	-	-	-	(77,819)	(77,819)
Profit/(loss) before tax	-	-	-	-	-	-	68,170	68,170
Consolidated net profit/(loss) from continuing operations	-	-	-	-	-	-	60,854	60,854
Loss from discontinued operations (Note 25)	-	(3,789)	-	(1,283)	(5,072)	(132,276)	(23,017)	(160,365)
Consolidated net profit/(loss)	-	-	-	-	-	-	(99,511)	(99,511)
Profit/(loss) attributable to non-controlling interests (Notes 21.i)	-	-	-	-	-	-	78,634	78,634
Profit/(loss) attributable to owners of the Parent (Note 5)	-	-	-	-	-	-	(178,145)	(178,145)

There were no significant inter-segment transactions in the six-month period ended 30 June 2012.

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

	Thousands of euros							
	Rentals					**Development & land**	**Corporate Unit**	**Total Group**
	Barcelona	Madrid	Paris	Other	Total rentals			
Assets								
Goodwill (Note 7)	-	-	120,000	-	120,000	-	-	120,000
Intangible assets, property, plant and equipment and investment property (Notes 8 and 9)	567,800	680,640	3,534,051	-	4,782,491	-	35,413	4,817,904
Financial assets	8,790	(874)	777	-	8,693	-	81,846	90,539
Investments in associates (Note 10)	-	-	286,560	-	286,560	-	-	286,560
Other non-current assets	2,659	1,146	163	-	3,968	-	243,259	247,227
Trade receivables and other current assets	-	-	-	-	-	-	67,424	67,424
Non-current assets held for sale (Note 25)	36,181	52,973	286,777	10,933	386,864	1,236,942	-	1,623,806
Total	**615,430**	**733,885**	**4,228,328**	**10,933**	**5,588,576**	**1,236,942**	**427,943**	**7,253,460**

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

	Thousands of euros							
	Rentals					Development & land	Corporate Unit	Total Group
	Barcelona	Madrid	Paris	Other	Total rentals			
Other disclosures								
Depreciation and amortisation expense	(6)	-	(215)	-	(221)	-	(439)	(660)
Expenses that do not entail outflows of cash other than the depreciation and amortisation charge for the year								
Changes in provisions	12	(1,271)	(10)	-	(1,269)	-	7,084	5,815
Change in fair value of investment property (Note 21.f)	(21,867)	(59,180)	136,613	-	55,566	-	-	55,566
Impairment charges and net gains/(losses) on assets (Note 21.e)	-	-	-	-	-	-	(1,444)	(1,444)

7. Goodwill

An analysis of movement on goodwill in the six-month periods ended 30 June 2012 and 2013, as well as during the second half of 2012, is as follows

	Thousands of euros		
	Inmobiliaria Colonial, S.A.	Other	**Total**
Balance at 31 December 2011	**177,604**	**368**	**177,972**
Impairment	-	-	-
Balance at 30 June 2012	**177,604**	**368**	**177,972**
Impairment	(57,604)	(368)	(57,972)
Balance at 31 December 2012	**120,000**	-	**120,000**
Impairment	-	-	-
Balance at 30 June 2013	**120,000**	-	**120,000**

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

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

At 31 December 2011, this analysis evidenced that the rentals CGU and the associated goodwill were impaired, giving rise to a charge of 69,079 thousand euros. Following the impairment charge, the entire goodwill is allocated to the French rentals business. Consequently, the impairment testing of goodwill carried out at year-and 2012 relied only on the cash flows of the Group's rentals business in France.

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

The basic assumptions used for the impairment test at 31 December 2012, which was not re-estimated at 30 June 2013 (Note 4.a), are shown in the following table:

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

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

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

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

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

The sensitivity of the goodwill impairment charge to changes in the discount rate (by +10bp), as well as to the yield generated by reinvesting and the asset rotation rate, does not represent any impairment of the goodwill recognised, as shown in the following table:

	Millions of euros
Sensitivity to discount rate (+10bp)	(47)
Sensitivity to asset rotation rate (-1%)	(7)
Sensitivity to yield on reinvestment (-10bp)	(6)

As indicated in Note 4.a, the impairment test carried out at the 2012 year-end was used when preparing these interim consolidated financial statements.

8. Property, plant and equipment

The movement in property, plant and equipment in the six-month periods ended 30 June 2012 and 2013, as well as during the second half of 2012, is as follows:

	Thousands of euros								
	Properties for own use			Other P,P&E		Total			
	Cost	Accumulated depreciation	Impairment	Cost	Accumulated depreciation	Cost	Accumulated depreciation	Impairment	**Total**
Balance at 31 December 2011	**43,095**	**(6,371)**	**(6,348)**	**10,375**	**(3,581)**	**53,470**	**(9,952)**	**(6,348)**	**37,170**
Additions or charges	-	(166)	(1,444)	15	(383)	15	(549)	(1,444)	(1,978)
Transfers	-	-	-	110	-	110	-	-	110
Balance at 30 June 2012	**43,095**	**(6,537)**	**(7,792)**	**10,500**	**(3,964)**	**53,595**	**(10,501)**	**(7,792)**	**35,302**
Additions or charges	-	(160)	(507)	12	(381)	12	(541)	(507)	(1,036)
Decreases or derecognitions	-	-	-	(19)	15	(19)	15	-	(4)
Transfers	-	-	-	7	-	7	-	-	7
Balance at 31 December 2012	**43,095**	**(6,697)**	**(8,299)**	**10,500**	**(4,330)**	**53,595**	**(11,027)**	**(8,299)**	**34,269**
Additions or charges	-	(152)	(550)	114	(405)	114	(557)	(550)	(993)
Decreases or derecognitions	-	-	-	(166)	166	(166)	166	-	-
Transfers	-	-	-	177	-	177	-	-	177
Balance at 30 June 2013	**43,095**	**(6,849)**	**(8,849)**	**10,625**	**(4,569)**	**53,720**	**(11,418)**	**(8,849)**	**33,453**

At 31 December 2012 and 30 June 2013, the Group used two floors of the building located at Avenida Diagonal, 530, in Barcelona, one floor of the building located at Paseo de la Castellana, 52, in Madrid, and one floor of the building located at 40 rue Washington in Paris for its own use, while the rest of these buildings are rented out. The value of buildings used for the Group's own purposes is recognised in "Properties for own use".

At 30 June 2013, the need to recognise an asset impairment charge in the amount of 550 thousand euros was evidenced by the appraisals performed by independent experts. In 2012, an impairment loss of 1,951 thousand euros was recognised.

9. Investment property

The movement under this heading in the six-month periods ended 30 June 2012 and 2013, as well as during the second half of 2012, is as follows

	Thousands of euros			
	Investment property	Investment property in progress	Prepayments	**Total**
Balance at 31 December 2011	**4,296,800**	**320,459**	**854**	**4,618,113**
Additions	3,200	55,950	9,260	68,410
Decreases or derecognitions	-	(4)	-	(4)
Transfers	97,633	(98,056)	-	(423)
Change in fair value (Note 21.f)	73,296	(8,478)	-	64,818
Balance at 30 June 2012	**4,470,929**	**269,871**	**10,114**	**4,750,914**
Additions	1,837	84,795	(5,368)	81,264
Transfers	(273,850)	29,727	-	(244,123)
Changes in the scope of consolidation (Note 2.f)	257,043	1,564	-	258,607
Change in fair value	(64,687)	162	-	(64,525)
Balance at 31 December 2012	**4,391,272**	**386,119**	**4,746**	**4,782,137**
Additions	5,971	71,711	8,000	85,682
Decreases or derecognitions	-	(175)	(3,122)	(3,297)
Transfers	29,411	(29,411)	-	-
Change in fair value (Note 21.f)	42,377	(5,016)	-	37,361
Balance at 30 June 2013	**4,469,031**	**423,228**	**9,624**	**4,901,883**

Changes in 2012

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

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

Changes in the first half of 2013

Additions in the six-month period ended 30 June 2013 primarily relate to development and renovation projects, mainly in properties of the SFL subgroup, in the amount of 79,583 thousand euros. The Parent made investments totalling approximately 6,099 thousand euros.

"Change in fair value of investment property" in the interim consolidated statement of comprehensive income includes losses and gains from the revaluation of the investment property in the six-month periods ended 30 June 2012 and 2013, in the amount of 64,818 thousand and 37,361 thousand euros (Note 21.f), respectively. These changes reflect the changes in the fair value of the Group's investment properties evidenced by the independent property appraisals dated 30 June 2012 and 2013 (Note 4.c).

Other disclosures

The total surface area (above and under-ground) of investment property and projects under development at 31 December 2012 and 30 June 2013 is as follows:

	Total surface area (m^2) of investment property, continuing operations					
	For rental		Projects under development		Total	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012	30 June 2013	31 December 2012
Barcelona	254,123	252,868	36,741	59,778	290,864	312,646
Madrid	229,963	200,549	15,422	39,510	245,385	240,059
Rest of Spain	458	78	-	-	458	78
Paris (*)	300,882	345,860	127,352	57,853	428,234	403,713
	785,425	**799,355**	**179,515**	**157,141**	**964,941**	**956,496**

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

At 30 June 2013, the Group had taken out mortgages in an aggregate amount of 633,298 thousand euros against properties with a net carrying amount at the reporting date of 1,267,841 thousand euros (Note 15). At 31 December 2012, the corresponding balances were 643,960 thousand and 1,248,728 thousand euros, respectively.

In addition, at 31 December 2012 and 30 June 2013, the Parent's syndicated loan was secured by a mortgage of 1,414,540 thousand euros on certain assets of Inmobiliaria Colonial, S.A. (Note 15).

The Group’s main finance leases at 31 December 2012 and 30 June 2013 are as follows:

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

Description	Average term (years)	Average years transpired	Thousands of euros		
			Asset’s net carrying amount	Instalments outstanding	
				Non-current	Current
Rives de Seine	12	12.2	47,809	-	47,809
Prony-Wagram	7	4.5	34,246	31,456	2,790
Finance lease assets at 30 June 2013 (Note 15)			**82,055**	**31,456**	**50,599**

10. Financial assets (non-current)

The movement under this heading in the six-month periods ended 30 June 2012 and 2013, as well as during the second half of 2012, is as follows

	Thousands of euros			
	Balance at 31 December 2011	Acquisitions and charges	Disposals or decreases	Balance at 30 June 2012
Investments in associates (Note 2.e)	266,106	12,926	(4,516)	274,516
Investments in unconsolidated companies	1,071	-	-	1,071
Prepayments on investments (Note 20)	80,000	-	-	80,000
Financial instruments (Note 16)	9,176	1,526	(2,806)	7,896
Deposits and guarantees extended	7,607	793	(36)	8,364
Impairment	(81,071)	-	-	(81,071)
Total	**282,889**	**15,245**	**(7,358)**	**290,776**

	Thousands of euros			
	Balance at 30 June 2012	Acquisitions and charges	Disposals or decreases	Balance at 31 December 2012
Investments in associates (Note 2.e)	274,516	10,593	1,451	286,560
Investments in unconsolidated Companies	1,071	-	-	1,071
Prepayments on investments (Note 20)	80,000	-	-	80,000
Financial instruments (Note 16)	7,896	767	(5,579)	84
Deposits and guarantees extended	8,364	152	(246)	8,270
Impairment	(81,071)	-	-	(81,071)
Total	**290,776**	**11,512**	**(4,374)**	**294,914**

	Thousands of euros			
	Balance at 31 December 2012	Acquisitions and charges	Disposals or decreases	Balance at 30 June 2013
Investments in associates (Note 2.e)	286,560	13,314	(9,067)	290,807
Investments in unconsolidated companies	1,071	-	-	1,071
Prepayments on investments (Note 20)	80,000	-	(80,000)	-
Financial instruments (Note 16)	84	235	-	319
Deposits and guarantees extended	8,270	79	(691)	7,658
Impairment	(81,071)	-	80,000	(1,071)
Total	**294,914**	**13,628**	**(9,758)**	**298,784**

Investments in associates

The movement in “Investments in associates" in the six-month periods ended 30 June 2012 and 2013, as well as during the second half of 2012, is as follows:

	Thousands of euros
	SIIC de Paris, S.A.
Balance at 31 December 2011	**266,106**
Acquisitions or share of profit	12,926
Changes in the scope of consolidation (Note 2.f)	(3,241)
Disposals or dividends received	(1,275)
Balance at 30 June 2012	**274,516**
Acquisitions or share of profit	9,711
Changes in the scope of consolidation (Note 2.f)	4,123
Disposals or dividends received	(1,790)
Balance at 31 December 2012	**286,560**
Acquisitions or share of profit	13,314
Disposals or dividends received	(9,067)
Balance at 30 June 2013	**290,807**

During the first half of 2013, the carrying amount of the investment in SIIC de Paris increased by 13,314 thousand euros, which is Group subsidiary SFL's share of that company's profit, of which 11,583 thousand euros was recognised in the interim consolidated statement of comprehensive income (Note 21.g) and 1,731 thousand euros was recognised directly in Group equity. In addition, the figure was decreased by 9,067 thousand euros, which is the dividend received by SFL from SIIC de Paris.

Investment in SIIC de Paris, S.A.

At 31 December 2012 and 30 June 2013, SFL held 12,769,538 shares in SIIC de Paris, representing 29.63% of the latter's share capital.

The table below includes the main financial indicators for SIIC de Paris as of 31 December 2012, based on the latest information publicly disclosed by the Group investee:

	Thousands of euros
(Information prepared under IFRS cost criteria)	31 December 2012
Total assets	1,298,137
Total equity	726,492
Total liabilities	571,645
Revenue	74,051
Profit for the year	46,343

At 31 December 2012, the published net asset value of SIIC de Paris was 22.85 euros per share.

Deposits and guarantees extended

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

11. Other non-current assets

"Other non-current assets" in the accompanying interim consolidated statement of financial position includes the receivable from a previous shareholder of the Parent relating to the tax effect of the difference between the tax and accounting bases of the assets contributed in the equity issue dated 29 June 2006 described in Note 1 and subscribed through the non-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 Parent, whichever occurs first.

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

12. Trade and other receivables

The breakdown of this current asset heading in the accompanying interim consolidated statement of financial position at 31 December 2012 and 30 June 2013 is as follows:

	Thousands of euros	
	31 December 2012	30 June 2013
Trade receivables from sales and services	53,859	52,783
Other receivables	154,972	164,493
Impairment of trade receivables (Note 21.e)	(160,674)	(156,544)
Other current assets	450	4,128
Total trade and other receivables	**48,607**	**64,860**

Trade receivables from sales and services

"Trade receivables from sales and services" in the table above includes the sums receivable from customers, primarily from the Group's rentals business in France, that are billed quarterly or half-yearly. No material sums for which provision had not been made were past due at either 31 December 2012 or 30 June 2013.

Other receivables and impairment on trade 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", 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 2012 and 30 June 2013, the accompanying interim consolidated statement of financial position includes an impairment for the entire amount of these companies' trade receivables.

13. Financial assets (current)

"Financial assets (current)" in the accompanying interim consolidated statement of financial position primarily comprises the Parent's financial investment in Fomento de Construcciones y Contratas, S.A. (FCC), representing 0.99% of that company's share capital. This investment is considered an available-for-sale financial asset.

At 31 December 2012 and 30 June 2013, the value of this investment was 12,233 thousand and 9,781 thousand euros.

At 31 December 2011, the amount recognised directly in equity as a result of changes in the fair value of the shares held in FCC was a negative 7,909 thousand euros. In 2012, the value of the investment held in FCC declined by an additional 12,595 thousand euros in accordance with this company's quoted stock price. Consequently, at 31 December 2012, the Parent recognised the accumulated impairment of this investment, in the amount of 20,504 thousand euros (12,614 thousand euros at 30 June 2012), under “Impairment of financial assets” of the consolidated statement of comprehensive income, given that it considered the impairment to be permanent.

During the first half of 2013, the value of the investment in FCC was written down by an additional 2,452 thousand euros to reflect the drop in the quoted stock price in recent months (Note 21.g).

At 31 December 2012 and 30 June 2013, the shares in FCC were pledged as guarantees in respect of the syndicated loan (Note 15).

14. Equity

Share capital

The Parent’s share capital at 31 December 2011 and 2012 comprised 225,918,009 fully subscribed and paid-in shares with a par value of 1 euro each, represented by book entries.

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 Parent’s share capital at 30 June 2013 was represented by 225,918,690 fully subscribed and paid up shares with a par value of 1 euro each, represented by book entries.

Based on the pertinent filings with the CNMV, the shareholders owning significant direct or indirect interests of 3% or more in the Parent at 31 December 2012 and 30 June 2013 are as follows:

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.

30 June 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%
Commerzbank, A.G.	-	14.932%	14.932%
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 30 June 2013.

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

On 21 June 2011, authorisation was given at the Parent'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.

As disclosed in Note 5, the Parent has issued warrants convertible into shares of Inmobiliaria Colonial, S.A. in the amount of 298,333 thousand euros (Note 25) to guarantee bank borrowings taken on by Asentia Project, S.L.U. and Abix Service S.L.U.

Legal reserve

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

The legal reserve 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.

Goodwill reserve

Under the Spanish Corporate Enterprises Act, an annual amount equal to 5% of the value of goodwill must be allocated from income to a restricted reserve equivalent to the goodwill recognised in the consolidated statement of financial position. If no profit is reported or if profits are insufficient, the allocation to this reserve will be taken from unrestricted reserves.

Furthermore, prevailing tax law stipulates that the Company endow a restricted reserve in the amount of goodwill amortisation if goodwill amortisation charges are to be deductible. In prior years, 47,949 thousand euros were deducted in connection with this item, with the Parent endowing a restricted reserve in this amount.

Valuation adjustments recognised in equity - financial instruments

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

The changes in this heading are as follows:

	Thousands of euros		
	30 June 2012	31 December 2012	30 June 2013
Opening balance	2,467	(1,936)	(1,008)
Changes in the fair value of hedges in the period	(4,403)	928	26,499
Transfer to reserves	-	-	(49,199)
Closing balance	**(1,936)**	**(1,008)**	**(23,708)**

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

In addition, as a result of assumption by the Parent of the derivative held by the subsidiary Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U. as part of its debt restructuring plan (Note 25), at the date of the assumption the Group transferred the impact of the derivative previously recognised in Group equity to the statement of comprehensive income, in the amount of 10,638 thousand euros.

Parent treasury shares

Treasury shares held by the Parent were as follows:

	30 June 2012	31 December 2012	30 June 2013
No. of shares	960,670	1,710,000	1,710,000
Carrying amount (€ ‘000)	37,446	38,280	38,280
% of equity	0.425%	0.757%	0.757%

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

SFL shares

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

	30 June 2012	31 December 2012	30 June 2013
No. of shares	473,450	441,250	459,460
Carrying amount (€ ‘000)	22,282	21,767	22,088
% of equity	1.02%	0.95%	0.99%

During the first half of 2013, subsidiary SFL acquired 51,721 shares for a total amount of 1,990 thousand euros and sold 33,511 shares with a cost of 1,239 thousand euros, recognising a gain of 4 thousand euros.

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

At 30 June 2013, the published net asset value of SFL was 45.90 euros per share.

Non-controlling interests

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

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

	Thousands of euros			
	Torre Marenostrum, S.L.	SFL subgroup	Riofisa subgroup	**Total**
Balance at 31 December 2011	**21,041**	**996,207**	**20,513**	**1,037,761**
Profit/(loss) for the year	785	81,309	(3,460)	**78,634**
Dividends and other	(1,205)	(30,718)	23	**(31,900)**
Financial instruments	(10)	(2,074)	-	**(2,084)**
Balance at 30 June 2012	**20,611**	**1,044,724**	**17,077**	**1,082,412**
Profit/(loss) for the year	(2,422)	66,776	(8,396)	**55,958**
Dividends and other	-	(16,954)	(49)	**(17,003)**
Changes in the scope of consolidation (Note 2.f)	-	94,062	-	**94,062**
Financial instruments	28	4,180	-	**4,208**
Balance at 31 December 2012	**18,217**	**1,192,788**	**8,632**	**1,219,637**
Profit/(loss) for the year	(107)	55,468	(12,397)	**42,964**
Dividends and other	(631)	(31,920)	-	**(32,551)**
Changes in the scope of consolidation (Note 2.f)	-	6,484	-	**6,484**
Financial instruments	32	6,387	-	**6,419**
Balance at 30 June 2013	**17,511**	**1,229,207**	**(3,765)**	**1,242,953**

The detail of the items included in "Dividends and other" at 30 June 2012 and 2013 and at 31 December 2012 is as follows:

	Thousands of euros		
	30 June 2012	31 December 2012	30 June 2013
Dividend paid by the SFL subgroup to non-controlling interests	(29,656)	(45,029)	(29,656)
Dividend paid by Washington Plaza to non-controlling interests	(1,411)	(1,411)	(3,107)
Dividend paid by Torre Marenostrum to non-controlling interests	(1,205)	(1,205)	(631)
Other	372	(27)	843
Total	**(31,900)**	**(48,903)**	**(32,551)**

Other equity instruments: Convertible bonds

As part of the 14 September 2008 debt restructuring agreement, the Parent issued bonds convertible into Parent shares totalling 1,310,797 thousand euros and corresponding to 13,107,965 convertible bonds maturing five years and six months from the issue date. At 30 June 2013, following the conversions detailed in the section titled "Share capital" of this Note, 15,184 bonds had yet to be converted.

The breakdown of bondholders of the free conversion tranche and interest accrued to 30 June 2012 and 2013, and to 31 December 2012, is detailed below:

Free conversion tranche	Number of bonds pending conversion	Value of bonds (thousands of euros)	Accrued interest (thousands of euros)
30 June 2012	15,245	1,818	55
31 December 2012	15,245	1,928	1
30 June 2013	15,184	1,921	44

Conversion of all outstanding bonds would result in the issuance of 78,612 new Parent shares.

On 28 December 2012, the Parent 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 7.24 euros per share, bringing the par value per bond to 126.51 euros.

On 17 January 2013, the Parent cancelled 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.

15. Bank borrowings and other financial liabilities

The maturity schedule of "Bank borrowings and other financial liabilities" at 31 December 2012 and 30 June 2013 is as follows:

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

	Thousands of euros							
	Current	Non-current						Total
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total non-current	
Bank borrowings								
Lines of credit	22,942	-	-	-	-	-	-	22,942
-Third parties	*5,537*	-	-	-	-	-	-	*5,537*
-Related parties (Note 23)	*17,405*	-	-	-	-	-	-	*17,405*
Loans	203,177	59,046	26,475	73,132	248,410	87,885	494,948	698,125
-Third parties	*159,720*	*56,153*	*23,464*	*69,885*	*245,399*	*56,949*	*451,850*	*611,570*
-Related parties (Note 23)	*43,457*	*2,893*	*3,011*	*3,247*	*3,011*	*30,936*	*43,098*	*86,555*
Subordinated debt	-	-	-	41,445	-	-	41,445	41,445
-Third parties	-	-	-	*41,445*	-	-	*41,445*	*41,445*
Syndicated loans	-	1,714,169	-	-	-	-	1,714,169	1,714,169
-Third parties	-	*295,170*	-	-	-	-	*295,170*	*295,170*
-Related parties (Note 23)	-	*1,418,999*	-	-	-	-	*1,418,999*	*1,418,999*
Finance lease assets (Note 9)	50,599	2,790	28,666	-	-	-	31,456	82,055
-Third parties	*38,647*	*2,790*	*28,666*	-	-	-	*31,456*	*70,103*
-Related parties (Note 23)	*11,952*	-	-	-	-	-	-	*11,952*
Interest	8,295	37,510	-	15	-	-	37,525	45,820
-Third parties	*3,026*	*4,699*	-	*15*	-	-	*4,714*	*7,740*
-Related parties (Note 23)	*5,269*	*32,811*	-	-	-	-	*32,811*	*38,080*
Debt arrangement expenses	(10,034)	(5,817)	(1,347)	(966)	(513)	-	(8,643)	(18,677)
-Third parties	*(10,034)*	*(5,817)*	*(1,347)*	*(966)*	*(513)*	-	*(8,643)*	*(18,677)*
Total bank borrowings	**274,979**	**1,807,698**	**53,794**	**113,626**	**247,897**	**87,885**	**2,310,900**	**2,585,879**
-Third parties	**196,896**	**352,995**	**50,783**	**110,379**	**244,886**	**56,949**	**815,992**	**1,012,888**
-Related parties	**78,083**	**1,454,703**	**3,011**	**3,247**	**3,011**	**30,936**	**1,494,908**	**1,572,991**
Other financial liabilities								
Current account with SCI Washington Plaza	-	72,313	-	-	-	-	72,313	72,313
Market value of financial instruments (Note 16)	10,119	-	-	-	8,068	1,864	9,932	20,051
Other financial liabilities	380	-	-	-	-	-	-	380
Total other financial liabilities	**10,499**	**72,313**	**-**	**-**	**8,068**	**1,864**	**82,245**	**92,744**
Total bank borrowings and other financial liabilities	**285,478**	**1,880,011**	**53,794**	**113,626**	**255,965**	**89,749**	**2,393,145**	**2,678,623**
Bonds and similar securities issued								
SFL bond issuance	-	-	500,000	-	500,000	-	1,000,000	1,000,000
Interest	12,652	-	-	-	-	-	-	12,652
Arrangement expenses	(2,012)	(2,013)	(1,932)	(1,041)	(433)	-	(5,419)	(7,431)
Total bonds and similar securities issued	**10,640**	**(2,013)**	**498,068**	**(1,041)**	**499,567**	**-**	**994,581**	**1,005,221**
Total at 30 June 2013	**296,118**	**1,877,998**	**551,862**	**112,585**	**755,532**	**89,750**	**3,387,726**	**3,683,844**

The bank borrowings taken out by the Colonial Group were arranged at arm's length, so their carrying amount substantially approximates their fair value. The bonds issued by SFL, which are traded on the Euronext Paris exchange, have a market value of 1,058,400thousand euros at 30 June 2013.

Syndicated loans

The breakdown of the Group's syndicated loans by subsidiary at 31 December 2012 and 30 June 2013 is as follows:

Thousands of euros	Maturity	31 December 2012		30 June 2013	
		Limit	Nominal amount drawn down	Limit	Nominal amount drawn down
Colonial Syndicated Loan					
Facility A – Tranche 1	December 2014	1,626,710	1,626,710	1,626,710	1,626,710
Facility A – Tranche 2	December 2014	87,900	87,900	87,900	87,900
Facility A – Tranche 3 Revolving Facility (*)	December 2014	48,384	(447)	48,384	(441)
Total Colonial Syndicated Loan		**1,762,994**	**1,714,163**	**1,762,994**	**1,714,169**
SFL Syndicated Loan					
BNP Paribas revolving loan facility	October 2014	300,000	-	300,000	-
Natixis 2010 revolving loan facility	December 2015	350,000	45,000	350,000	-
Total SFL Syndicated Loan		**650,000**	**45,000**	**650,000**	**-**
Total		**2,412,994**	**1,759,163**	**2,412,994**	**1,714,169**

(*) For the purpose of calculating the nominal value drawn down, the Parent presents the amount drawn down under Tranche 3, the revolving portion of Facility A, less the amount on deposit in a restricted current account (30,755 thousand euros at 30 June 2013 and 31 December 2012). The remainder at 30 June 2013, 441 thousand euros, relates to interest generated by the current account, which the Parent has classified as a decrease in bank borrowings, given that the account was a restricted account at that time (447 thousand euros at 31 December 2012).

Parent syndicated loan

This is a long-term 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 amount of 1,650,012 thousand euros, secured by: (i) a mortgage on certain properties located in Spain (Note 9); (ii) a share pledge consisting of 51% of the shares of SFL owned by the Parent; (iii) guarantees on deposits held by the Parent as a result of the sale of assets; and (iv) a share pledge consisting of the shares held by the Parent in subsidiary Torre Marenostrum, S.L. At 30 June 2013, the outstanding balance of this tranche stood at 1,626,710 thousand euros after the partial repayment in 2012 (23,302 thousand euros).

2. Tranche A2: 87,900 thousand euros of debt secured by a first-lien guarantee on the Parent's 2.1% and 0.99% equity interests in SFL and FCC, respectively.

3. Tranche A3: Revolving Tranche, with an initial limit of 62,966 thousand euros. At 30 June 2013, the limit on this tranche stood at 48,384 thousand euros after the amount repaid by the Parent in the first half of 2012 (14,582 thousand euros). At 30 June 2013, 30,755 thousand euros had been drawn down and had been deposited as a guarantee in respect of the syndicated loan.

Tranche A accrues interest at Euribor plus 175 basis points.

As set forth in the loan agreement, starting at 31 December 2011, if the Parent's loan-to-value (LTV) ratio rises above 50%, and barring early repayment of 10%, 18% and 25% of the accumulated principal of Tranche A at 31 December 2011, 2012 and 2013, respectively, the spread over Euribor payable on the total amounts drawn down

under Tranches A1 and A3 increases by 300, 375 and 450 basis points, respectively. The potential interest spread increase would be capitalised and would not entail any cash outlay whatsoever.

On 29 March 2012, the Company obtained a waiver from the lenders on the accrual of the additional spreads referred to above, on the following premises:

- Amendment of the additional spreads to be accrued at 31 December 2012 and 2013 in the event of a new breach, to 450 and 686 basis points over the amounts drawn down under tranches A1 and A3 if the Company does not make an early repayment of an accumulated amount equivalent to 18% and 25%, respectively.
- Repayment of 23,743 thousand euros, 23,302 thousand euros of Tranche A1 and 441 thousand euros of Tranche A3, through the use of the cash pledged in favour of the banks participating in the syndicated loan and from the sale of a property in 2010.

Subsequent to the 2012 year-end, the Parent reached an agreement with the lenders by which this clause of the syndicated loan was amended and the following conditions were set as of 1 January 2013 for the A1 and A3 tranches that had been drawn down:

- If by 30 June 2013, the Parent has not made early repayment of an accumulated amount equivalent to 18%, the additional spread to be applied on the amounts drawn down under tranches A1 and A3 will be 450 basis points, accruing as of 1 January 2013. On 30 June 2013, given that the Parent had not made the aforementioned early repayment, the Parent recorded the corresponding interest in the amount of 37,500 thousand euros. This interest will be capitalised as an increase in the nominal amount of the syndicated loan and will not entail any short-term cash outlay.

- If by 31 December 2013, the Parent has not made early repayment of an accumulated amount equivalent to 25%, the additional spread to be applied on the total amounts drawn down under tranches A1 and A3 will be 686 basis points, accruing as of 1 January 2013.

At the date of the authorisation for issue of these interim consolidated financial statements, the Parent has initiated conversations with its main lenders in order explore the alternatives for reducing its borrowings and extending its debt maturities, the bulk of which fall due in December 2014 (Note 2.i).

Other commitments and restrictions pertaining to Colonial's syndicated loan

The Parent Company has also assumed the following commitments and restrictions, subject to the waivers provided for in the Framework Refinancing Agreement:

- The Parent 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 Parent may not assume additional borrowings.

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

- The Parent may not dispose of its assets, nor may it allow any form of additional encumbrance 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 Parent.

In addition, the syndicated loan is secured by mortgages on assets in the amount of 1,414,540 thousand euros at 30 June 2013 and 31 December 2012.

Compliance with covenants

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

	Ratios
Colonial syndicated loan	LtV ratio <=85%, understood as net debt / Property assets of the Parent plus the net asset value of the investments it holds for the rentals business DSCR (debt service coverage ratio) > 1, understood as recurring operating cash flow / debt service charge of the Parent
Natixis 2010 syndicated loan	LTV ratio <= 50% Interest coverage ratio >= 2 Secured debt/equity value <=20% Appraisal value of unmortgaged properties >=€2bn
BNP-Paribas syndicated loan	LTV ratio <= 50% Interest coverage ratio >= 2 Secured debt/equity value <=20% Appraisal value of unmortgaged properties >=€2bn

Note: €bn refers to billions of euros.

The Parent's syndicated loan requires compliance with two financial covenants at 31 December and at 30 June of each year during the term of the loan contract. As at 30 June 2013, the Parent has complied with all the covenants. At present, the Parent does not expect that it will fail to comply with any of the financial covenants in 2013. If it breaches the covenants, it would be handled within the framework of the conversations that the Parent has initiated with its lenders (Note 2.i).

At 30 June 2013, all financial covenants of the syndicated loans held by SFL were being fulfilled.

Loans

At 31 December 2012 and 30 June 2013, in addition to the syndicated loan, the Group had the following mortgage loans, secured by its investment properties and non-current assets held for sale associated with its rentals business:

	Thousands of euros			
	31 December 2012		30 June 2013	
	Mortgage debt	Market value of collateral	Mortgage debt	Market value of collateral
Investment property - rentals (Note 9)	643,960	1,256,511	633,298	1,274,984
Non-current assets held for sale (Note 25)	8,006	26,792	20,517	26,463
	651,966	**1,283,303**	**653,815**	**1,301,447**

The Parent has loans for a total amount of 281,267 thousand euros, of which, at 30 June 2013, 81,948 thousand euros is recognised under current borrowings. At the date of the authorisation for issue of these interim consolidated financial statements, the Parent is holding conversations with the financial entities with which it has bilateral loans, in order to extend maturities and define a new payment schedule, in order to adjust those maturities to the cash flows generated by the mortgaged property. The Parent's cash flow budget for 2013 envisions sufficient financing sources to cover these maturities as needed.

Compliance with covenants

At 30 June 2013, the Colonial Group had taken out five loans, for a total amount of 259,615 thousand euros (337,009 thousand euros at 31 December 2012), subject to compliance with certain financial covenants. At that date, the Group was not in breach of any of the covenants stipulated in these loans, except as disclosed below.

Group subsidiary Abix Service S.L.U.'s loan agreement requires it to keep its LTV ratio ≤ 85% from 31 December 2011, on a six-month basis. The ratio was higher than the 85% threshold at 30 June 2013. As a result, under the terms of the loan agreement, the subsidiary has to repay part of the amount of the loan needed to bring this ratio to below the required level within a maximum period of 24 months. Abix Service S.L.U. has made the payments on this loan, as well as the debt service charge, by using the income generated by property it owns, as well as the rents generated by two properties of the Parent, in accordance with the terms of the loan agreement. The loan agreement also requires compliance with the financial covenant calculated by dividing the rental income from the subsidiary's property by the finance charges of the loan, plus the amounts of the principal paid during the period, which must be equal to or greater than 1, starting at 31 December 2012. On 27 December 2012, the subsidiary Abix Service S.L.U. signed a letter with the creditor relieving it of the obligation to comply with this financial ratio so long as the Parent continues to provide funds to pay the interest and comply with the partial repayments. Consequently, at 30 June 2013, breach of this covenant did not trigger the early repayment of the loan.

Guarantees given

The Parent has given the following guarantees:

- The Parent guarantees, with a second-lien guarantee on an asset in Madrid, for up to a limit of 40,000 thousand euros, debts of the subgroup headed by Asentia Project, S.L.U. in the amount of 54,993 thousand euros (Note 25), plus outstanding interest accrued and not settled of 7,733 thousand euros.

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

- As indicated in Note 25, following the debt restructuring in the subsidiary Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U., the Parent 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.

Debt issuance (non-convertible bonds)

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

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

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

Interest accrued and outstanding on these bonds, recognised in the interim consolidated statement of financial position at 30 June 2013, amounted to 12,652 thousand euros.

Finance leases

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

Lines of credit

The Group has lines of credit of up to 22,942 thousand euros, which at 30 June 2013 were fully drawn down. These credit facilities mature in the short term. At 31 December 2012, the balance of fully drawn-down lines of credit held by the Group totalled 41,277 thousand euros.

At 30 June 2013, the Group had a current account with Grupo SCI Washington which accrues interest at 3-month Euribor plus 60 basis points and matures on 31 December 2014. The balance at that date was 71,994 thousand euros, plus 319 thousand euros for accrued interest payable (70,286 thousand euros at year-end 2012).

Cash and cash equivalents

At 31 December 2012 and 30 June 2013, amounts of 69,017 thousand and 57,845 thousand euros, respectively, were recognised under “Cash and cash equivalents”, of which 2,500 thousand was pledged.

Syndicated loan arrangement costs and fees

At 31 December 2012 and 30 June 2013, the amounts recognised in the consolidated statement of comprehensive income in this connection totalled 8,534 thousand and 4,401 thousand euros, respectively.

Interest rate on borrowings

The average interest rate paid by the Group in the first half of 2013 on borrowings allocated to continuing operations was 3.51%, or 3.66% including accrued fees. The average spread over Euribor paid by the Group (including fees) in the six-month period was 217 basis points.

The conditions of the Parent's syndicated loan include incentives for reaching an LTV of 50%. In that regard, if the partial repayments stipulated are not made by 30 June 2013, an additional interest spread of 450 basis points will be capitalised as an increase in the nominal value of the loan, with retroactive effects to 1 January 2013. Given that this LTV ratio had not been met at 30 June 2013, the Parent recognised additional interests of 37,500 thousand euros, which will be capitalised as an increase in the financial debt in the second half of 2013. At 30 June 2013, the resulting rate of 3.51% does not include the effect of this capitalised interest.

At 30 June 2013, accrued interest payable amounts to 45,820 thousand euros, of which 37,500 thousand euros correspond to the additional spread on capital drawn down in tranches A1 and A3, accrued as from 1 January 2013 and to be capitalised during 2013 as an increase in the nominal value of the syndicated loan, with no cash outlay in the short term. At 31 December 2012, accrued interest payable amounted to 35,588 thousand euros.

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

At 30 June 2013, all the bank borrowings associated with the group headed up by Asentia Project S.L.U., totalling 1,484,436 thousand euros, had been recognised in “Liabilities relating to assets held for sale” in the interim consolidated statement of financial position (Note 4.s). At 31 December 2012, these borrowings amounted to 1,506,192 thousand euros.

As a result, at 30 June 2013, the total balance of the Group’s bank borrowings, including debts with lending institutions, non-convertible bonds, debt arrangement expenses, and capitalised interest, stood at 5,062,156 thousand euros (5,201,642 thousand euros at 31 December 2012).

Capital management: policy and targets

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

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

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

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

16. Derivative financial instruments

Risk management policy objectives

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

- Interest rate risk: the Group has taken out most of its debt at floating rates, except for the 1,000,000 thousand euros of bonds issued by subsidiary SFL (Note 15). Therefore, 72% of its debt is exposed to trends in market interest rates. The Group’s risk management policy is designed to limit and control the effect of interest rate fluctuations on profit and cash flow and to keep overall borrowing costs at reasonable levels. In order to attain these objectives, the Group enters into interest rate hedges to hedge against potential fluctuations in financial costs.

  A sensitivity analysis to interest rate risk is presented below. Increases and decreases have been applied to the interest rate on the Group's debt structure at 31 December 2012 and 30 June 2013, including financial

instruments, on comprehensive income before allocation to non-controlling interests and the related tax effect and on Group equity.

31 December 2012

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

For 2012, sensitivity to negative 75 and 100 basis point changes is not shown, given that the resulting interest rates are negative.

30 June 2013

	Thousands of euros		
	Increase / (decrease)	Revenue / (expense)	
+/- basis point change in interest rate	Impact on equity	Impact on comprehensive income	% change in recognised expense
-50bp	(4,957)	757	0.75%
-25bp	(2,525)	1,056	1.04%
+25bp	2,715	(1,338)	1.32%
+50bp	5,673	(2,683)	2.65%
+75bp	8,899	(4,034)	3.98%
+100bp	12,399	(5,390)	5.32%

For 2013, sensitivity to negative 75 and 100 basis point changes is not shown, given that the resulting interest rates are negative.

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

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

- Liquidity risk: in 2010, the Parent successfully refinanced its debt. The purpose of this agreement is to recapitalise the Parent, strengthen its long-term financial structure, ensure that it can service its debt and reduce its indebtedness. The refinancing agreement includes a cash flow budget that will enable the Parent Company to service its debt and meet the expenses inherent to its ordinary business activities.

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

Derivative financial instruments

The Group has arranged a series of interest rate hedging derivatives. The following table itemises these derivatives and states their fair values at 31 December 2012 and 30 June 2013:

Derivative financial instrument	Company	Counterparty	Interest rate	Maturity	Notional value (thousands of euros)	Fair value – Asset / (Liability)
Vanilla swap	Parhaus	Natixis	0.8825%	2017	24,525	(394)
Vanilla swap	Parchamps	Natixis	0.8825%	2017	9,065	(146)
Vanilla swap	Pargal	Natixis	0.8825%	2017	28,150	(453)
Vanilla swap	Parhaus	Nord/LB	0.8825%	2017	24,525	(394)
Vanilla swap	Parchamps	Nord/LB	0.8825%	2017	9,065	(146)
Vanilla swap	Pargal	Nord/LB	0.8825%	2017	28,150	(453)
Vanilla swap	Parhaus	Dekabank	0.8825%	2017	24,525	(394)
Vanilla swap	Parchamps	Dekabank	0.8825%	2017	9,065	(146)
Vanilla swap	Pargal	Dekabank	0.8825%	2017	28,150	(453)
Vanilla swap	SFL	RBS	3.89%	2013	28,600	(896)
Vanilla swap	SFL	RBS	3.89%	2013	12,200	(382)
Vanilla swap	SFL	HSBC	2.172%	2016	50,000	(2,985)
Vanilla swap	SFL	HSBC	2.305%	2016	100,000	(6,781)
Vanilla swap	SFL	CM-CIC Marches	1.846%	2017	100,000	(6,017)
Collar	Colonial	Deutsche Bank	Floor (3.85%) Cap (4.45%)	2013	25,000	(461)
Vanilla swap	Colonial	Deutsche Bank	3.715%	2013	400,000	(13,673)
CAP	Colonial	Banco Popular	3.25%	2014	30,000	1
CAP	Colonial	CA-CIB	3.25%	2014	140,000	5
CAP	Colonial	CA-CIB	1.875%	2014	150,000	17
CAP	Colonial	Eurohypo	2.50%	2014	150,000	9
CAP	Colonial	RBS	1.875%	2014	150,000	17
CAP	Colonial	RBS	2.50%	2014	250,000	15
CAP	Colonial	RBS	3.25%	2014	140,000	5
CAP	Colonial	CaixaBank	2.50%	2014	100,000	6
CAP	Colonial	CaixaBank	3.25%	2014	140,000	5
CAP	Colonial	CaixaBank	3.25%	2014	50,000	2
CAP	Abix	CaixaBank	3.5%	2014	54,105	1
Vanilla swap	Torre Marenostrum	CaixaBank	3.85%	2015	29,965	(2,444)
Total at 31 December 2012					**2.285.090**	**(36,535)**
- Third parties					860.220	(32,896)
- Related parties (Note 23)					1.424.870	(3,639)
- Fixed-to-floating hedges					2.285.090	(36,535)
- Floating-to-fixed hedges					-	-

Derivative financial instrument	Company	Counterparty	Interest rate	Maturity	Notional value (thousands of euros)	Fair value – Asset / (Liability)
Vanilla swap	Parhaus	Natixis	0.8825%	2017	24,525	(8)
Vanilla swap	Parchamps	Natixis	0.8825%	2017	9,065	(3)
Vanilla swap	Pargal	Natixis	0.8825%	2017	28,150	(9)
Vanilla swap	Parhaus	Nord/LB	0.8825%	2017	24,525	(8)
Vanilla swap	Parchamps	Nord/LB	0.8825%	2017	9,065	(3)
Vanilla swap	Pargal	Nord/LB	0.8825%	2017	28,150	(9)
Vanilla swap	Parhaus	Dekabank	0.8825%	2017	24,525	(8)
Vanilla swap	Parchamps	Dekabank	0.8825%	2017	9,065	(3)
Vanilla swap	Pargal	Dekabank	0.8825%	2017	28,150	(9)
Vanilla swap	SFL	RBS	3.89%	2013	28,600	(361)
Vanilla swap	SFL	RBS	3.89%	2013	12,200	(154)
Vanilla swap	Colonial	Deutsche Bank	3.715%	2013	400,000	(6,836)
Step-down swap	Colonial	BBVA	3.30%	2018	140,252	(10,223)
CAP	Colonial	Banco Popular	3.25%	2014	30,000	2
CAP	Colonial	CA-CIB	3.25%	2014	140,000	10
CAP	Colonial	CA-CIB	1.875%	2014	150,000	33
CAP	Colonial	Hypothekenbank Frankfurt AG	2.50%	2014	150,000	17
CAP	Colonial	RBS	1.875%	2014	150,000	33
CAP	Colonial	RBS	2.50%	2014	250,000	31
CAP	Colonial	RBS	3.25%	2014	140,000	10
CAP	Colonial	CaixaBank	2.50%	2014	100,000	11
CAP	Colonial	CaixaBank	3.25%	2014	140,000	10
CAP	Colonial	CaixaBank	3.25%	2014	50,000	4
CAP	Abix	CaixaBank	3.5%	2014	54,105	1
Vanilla swap	Torre Marenostrum	CaixaBank	2.80%	2024	29,741	(2,262)
Total at 30 June 2013					**2,150,118**	**(19,734)**
- Third parties					725,472	(17,119)
- Related parties (Note 22)					1,424,646	(2,615)
- Fixed-to-floating hedges					2,150,118	(19,734)
- Floating-to-fixed hedges					-	-

During the first half of 2013, SFL carried out the early cancellation of three interest rate swaps with a total nominal value of 250,000 thousand euros. In 2012, it cancelled in advance eight interest rate swaps. The straight-line accrual of the finance cost on the early cancellation of these 11 interest rate swaps had an impact of 9,276 thousand euros on the interim consolidated statement of comprehensive income at 30 June 2013, under "Finance cost".

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

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

At 30 June 2013, 94% of the notional of the Group's derivatives portfolio is in compliance with the terms of IFRS 39; consequently, the mark-to-market (MtM) differences between periods are recognised in equity.

At 30 June 2013, the accumulated impact on equity of derivative hedge accounting was a gain of 23,708 thousand euros, net of the tax effect and consolidation adjustments (at 31 December 2012, gain of 1,008 thousand euros).

The impact at 30 June 2012 and 2013 of accounting for derivatives qualifying for hedge accounting on the interim consolidated statement of comprehensive income was a net finance cost of 7,081 thousand and 8,414 thousand euros, respectively (Note 21.g), corresponding primarily to the French subsidiary.

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 30 June 2013.

At 30 June 2013, the net fair value of the derivatives gave rise to a financial liability of 19,734 thousand euros, including accrued interest payable of 441 thousand and 31 thousand euros in credit risk. Of this total, 318 thousand euros relates to an asset balance (Note 10) and 20,052 thousand euros relates to a liability balance (Note 15). In addition, 2,615 thousand euros relates to derivatives written with related companies (Note 23). The fair value of derivatives at 31 December 2012 was 36,535 thousand euros.

At 30 June 2013, the notional amount for interest rate hedges was 2,150,118 thousand euros. Taking into account SFL bonds issues, 88% of total debt is hedged or at fixed rates, in the amount of 1,000,000 thousand euros.

The effective hedging ratio at 30 June 2013 (floating rate hedges) was 84% (90% in Spain and 53% in France).

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

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

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

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

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

17. Trade payables and other non-current liabilities

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

	Thousands of euros			
	31 December 2012		30 June 2013	
	Current	Non-current	Current	Non-current
Trade and other payables	15,841	-	29,426	-
Advances	15,978	-	15,112	-
Payables for the purchase of properties and land	58,932	-	56,800	-
Guarantees and deposits received	1,515	22,696	1,315	23,731
Payable to Social Security	2,034	-	1,256	-
Deferred income	8,623	-	8,934	-
Other payables and current liabilities	3,613	150	2,672	200
Total	**106,536**	**22,846**	**115,515**	**23,931**

At 31 December 2012 and 30 June 2013, “Trade payables” on the consolidated statement of financial position primarily included the amounts pending payment by the Group for business-related purchases and associated costs, in connection with the property rental segment and the Corporate Unit.

At 30 June 2013, “Payables for the purchase of properties and land” relates to borrowings for the acquisition of properties by SFL (Champs Elysées 82-88 and 90 and Quai Le Gallo, 46), in the amount of 35,001 thousand euros, and to the amount outstanding on the Parent's acquisition of the Francisco Silvela property (21,799 thousand euros) (Note 20).

“Advances” primarily reflects amounts paid upfront by tenants.

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

18. Provisions

Changes in “Provisions” in the six-month periods ended 30 June 2012 and 2013, as well as at 31 December 2012, are as follows

	Thousands of euros			
	Non-current provisions			Current provisions
	Provision for taxes	Provisions for employee benefits	Provisions for contingencies and other provisions	Provisions for contingencies and other provisions
Balance at 31 December 2011	**2,502**	**845**	**7,031**	**111**
Additions	435	194	-	-
Retirements	(1,930)	-	(7,000)	-
Balance at 30 June 2012	**1,007**	**1,039**	**31**	**111**
Additions	(39)	46	-	205
Retirements	-	(46)	-	-
Balance at 31 December 2012	**968**	**1,039**	**31**	**316**
Additions	-	-	21	2,208
Retirements	(968)	(287)	-	-
Balance at 30 June 2013	**-**	**752**	**52**	**2,524**

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

19. Tax matters

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

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

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

	Thousands of euros			
	Tax receivables			
	Current		Non-current	
	31 December 2012	30 June 2013	31 December 2012	30 June 2013
Tax refunds receivable	69	1,810	-	-
Deferred tax assets receivable	2,297	-	-	-
VAT	16,451	17,930	-	-
Deferred tax assets	-	-	216,564	216,326
Total tax receivables	**18,817**	**19,740**	**216,564**	**216,326**

	Thousands of euros			
	Taxes payable			
	Current		Non-current	
	31 December 2012	30 June 2013	31 December 2012	30 June 2013
Income tax payable	407	1,161	-	-
Other taxes payable	8,142	10,417	-	-
Exit tax payable (SFL Group)	1,968	-	1,717	1,753
VAT payable	1,232	2,466	-	-
Tax extensions	22,319	11,561	9,588	12,274
Deferred tax liabilities	-	-	225,859	235,135
Total taxes payable	**34,068**	**25,605**	**237,164**	**249,162**

Income tax

The detail of "Income tax expense" in the interim consolidated statement of comprehensive income for the six-month periods ended 30 June 2012 and 2013 is as follows:

	Thousands of euros	
	June 2012	June 2013
Corporate income tax	(1,719)	(7,340)(*)
Variation due to deferred and prepaid taxes, tax credits and tax relief	(4,665)	(11,368)
Income tax	**(6,302)**	**(18,698)**
- from continuing operations	(7,316)	(18,779)
- from discontinued operations (Note 25)	1,014	81

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

	Thousands of euros			
	Continuing operations	Discontinued operations	Total	Tax effect – at the 30% national rate (*)
Profit/(loss) before tax	10,589	(256,912)	(246,323)	73,897
Effect of the adjustments to taxable income for France (SIIC 4 effect and adjustments to the tax base)	(99,571)	-	(99,571)	29,871
Effect of the adjustments to taxable income for Spanish companies and uncapitalised tax credits generated in the period	146,085	256,642	402,727	(120,818)
Prior income tax expense (base)	**57,103**	**(270)**	**56,833**	**(17,050)**
Other				(1,648)
Income tax				**(18,698)**

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

	Thousands of euros	
	June 2012	June 2013
Accounting profit/(loss) before tax (aggregate of individual expenses)	(176,957)	(225,263)
Permanent differences	(190,524)	(130,325)
Temporary differences	175,376	165,208
Aggregate taxable income/(tax loss) before use of unused tax losses	**(192,105)**	**(190,380)**
Application of unused tax losses	(421)	-
Aggregate taxable income (tax loss)	**(192,526)**	**(190,380)**
Recognised tax loss	7,190	17,337
Unrecognised taxable income/(tax loss)	(199,716)	(207,717)

At 30 June 2013, the permanent differences recognised by the Group correspond primarily to the SFL subgroup - subject to the French SIIC regime (Note 4.m) – for a permanent negative difference in the amount of 99,570 thousand euros, and a dividend received from this company by the Parent, giving rise to a permanent negative difference of 29,180 thousand euros.

At 30 June 2012, the permanent differences recognised by the Group correspond primarily to the SFL subgroup - subject to the French SIIC regime (Note 4.m) – for a permanent negative difference in the amount of 164,428 thousand euros, and a dividend received from this company by the Parent, giving rise to a permanent negative difference of 25,482 thousand euros.

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

Deferred tax assets

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

	Thousands of euros				
	Recognised as assets				
Deferred tax assets	31 December 2012	Additions	Retirements	Transfers	30 June 2013
Tax credits in respect of loss carryforwards	157,296	-	-	1,183	158,479
Fair value of financial instruments	7,471	-	(2,685)	-	4,786
Impairment of assets	51,797	20	-	1,244	53,061
	216,564	**20**	**(2,685)**	**2,427**	**216,326**

Tax assets respect of loss carryforwards

Under prevailing legislation, losses from a given year can be used to offset taxable income during the following 18 years. Nonetheless, the final amounts against which the tax losses can be applied may vary as a result of inspections of the years in which they arose. The interim consolidated statement of financial position at 30 June 2013 recognises tax credits in respect of tax loss carryforwards in the amount of 158,479 thousand euros in "Deferred tax assets" within non-current assets.

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

Year	Thousands of euros		Last year for offset
	At companies that make up the consolidated tax group	At other Group companies	
1995	-	822	2013
1997	-	295	2015
1999	-	1	2017
2000	12,979	1	2018
2001	5,470	-	2019
2002	1	16	2020
2003	141	336	2021
2004	38,516	113	2022
2005	38	552	2023
2006	25,215	110	2024
2007	356,280	2,367	2025
2008	1,291,596	4,721	2026
2009	974,354	9,806	2027
2010	806,800	5,718	2028
2011	490,356	10,526	2029
2012	906,583	28,587	2030
Total	**4,908,329**	**63,971**	

As indicated above, some of the Group companies form part of consolidated tax group 6/08, which means that certain transactions among companies included in the tax group are eliminated from the aggregate sum of the individual tax loss balances; they are not included in consolidated taxable income until the gain or loss on the respective transaction is realised with third parties. In addition, the consolidated tax regime allows companies with taxable profit to make use of the tax losses generated by other companies within the same consolidated tax group. The following table reconciles the aggregate of the individual tax losses and the consolidated tax loss for 2012, the difference being the result of application of the foregoing adjustments to companies in the consolidated tax group:

	Thousands of euros	
	At companies that make up the consolidated tax group	At other Group companies
Aggregate of the individual loss carryforwards	**4,908,329**	**63,971**
Adjustments for transactions among companies that make up the consolidated tax group	(579,023)	-
Adjustments for the offset of taxable income and tax loss carryforwards among companies that make up the consolidated tax group	(9,940)	-
Total tax loss carryforwards	**4,319,366**	**63,971**
Recognised as assets	522,261	4,545
Continuing operations	*524,321*	-
Discontinued operations	*(2,060)*	*4,545*
Not recognised as assets	3,797,105	59,426
Continuing operations	*2,888,889*	-
Discontinued operations	*908,216*	*59,426*

Utilisation of capitalised tax credits

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

At 31 December 2012, the Parent's directors re-evaluated the business plan in light of the downturn in the real estate market that year, as well as expectations for the rental business in Spain over the medium and long term. The business plan primarily considered the results of the Parent's ordinary activities for the 18-year period, which were projected on the basis of the Parent's portfolio of rental properties at that time. The results of ordinary activities were estimated on the basis of the performance of rentals, as well as occupancy levels for each of the Parent's properties individually. However, because of short-term market uncertainty and the need to follow 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 Parent's current assets, the investment and capital-increase transactions, or a final rotation of 50% of the property portfolio. All these aspects were taken into account in the business plans used in prior years.

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

The assessment of the recoverability of tax credits also took into account certain tax planning strategies that would allow for the exit of the Asentia subgroup if the disposal of this subgroup does not materialise.

The sensitivity of the assumptions referred to above regarding the recoverability of deferred tax assets at 31 December 2012 is detailed in the following table:

	Millions of euros
Rentals (1% below those considered)	(3)
% occupancy (1% below that considered)	(5)

The assumptions considered in the business plan for the preceding year continue to reflect the current situation of the Colonial Group at 30 June 2013.

Tax credits for deductions

Prevailing legislation provides for a 12% deduction on gains obtained on the sale of certain items of property, plant and equipment, intangible assets and investments of 5% or greater in companies outside the tax group, so long as the gains are reinvested in full in assets of the same characteristics. Qualifying reinvestments must take place within the three years following the sale or in the year preceding the transaction.

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

	Thousands of euros			
	2008	2009	2010	2011
Profit to which tax credit applied for reinvestment	10,175	11,236	3,730	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 5-year period (3 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	70,419	5,617	27,606
Associated rent	3,723	5,956	216	1,009

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

The nature and amount of tax credits at 30 June 2013 unused due to a shortfall in taxable income, totalling 55,361 thousand euros, and the deadlines for their application, are set out below:

Nature of deduction	Thousands of euros		
	Year of origin	Amount	Last year for use
Double taxation tax credit	2006	7,544	2013
	2007	12,482	2014
	2008	8,612	2015
	2009	287	2016
	2010	273	2017
	2011	355	2018
	2012	333	2019
Tax credit for training			
	2008	1	2018
	2009	1	2019
	2010	1	2020
Tax credit for reinvestment			
	2002	458	2012
	2003	3,316	2013
	2004	1,056	2014
	2005	92	2015
	2006	1,314	2016
	2007	16,293	2017
	2008	1,185	2018
	2009	1,347	2019
	2010	381	2020
	2011	30	2021
		55,361	

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

Deferred tax liabilities	Thousands of euros				
	31 December 2012	Additions	Retirements	Transfers	30 June 2013
Asset revaluations	146,889	13,137	-	(3,806)	156,220
Deferred non-monetary contribution (Note 11)	49,923	-	(55)	-	49,868
SIIC – 4 (Note 4.m)	20,896	-	-	-	20,896
Deferral for reinvestment	8,151	-	-	-	8,151
	225,859	**13,137**	**(55)**	**(3,806)**	**235,135**

Asset revaluations

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

Non-monetary contribution to capital increase

On 29 June 2007, various shareholders of the Parent subscribed to a rights issue through non-monetary contributions consisting of property assets and equity investments. The transaction was eligible for the special tax neutrality regime for mergers, spin-offs, contributions of assets and securities swaps provided for in Chapter VIII, Title VII of the Spanish Corporate Tax Act, as amended, enacted by Royal Decree 4/2004 (Note 1).

The contributions were made at market value, generating a difference between the tax and accounting basis of the assets contributed, which must be borne by these shareholders once these assets have been sold. This amount is secured by a first demand guarantee in favour of Inmobiliaria Colonial, S.A. (Note 11) and is recognised in the consolidated statement of financial position under “Other non-current assets”.

Tax extensions

At 30 June 2013, the Parent has been granted the following extensions by the tax authorities:

- Permission to defer over five years the payment of 30,244 thousand euros relating to the 2007 income tax expense of the absorbed subsidiary Subirats-Coslada Logística, S.L.U. (Note 1), granted in 2008. This debt is guaranteed by mortgages against various properties of Group subsidiary Asentia Project, S.L.U. During the first half of 2013 the payment schedule was restructured, deferring amounts payable at that time for an additional three-year period.

- Permission to defer over five years the payment of 15,325 thousand euros related to the VAT expense for 2008, granted in 2009. During the first half of 2013 the payment schedule was restructured, deferring amounts payable at that time for an additional three-year period.

- Permission to defer over five years the payment of 8,508 thousand euros corresponding to the income tax expense for 2008 of the consolidated tax group headed by the Parent, granted in 2009. This debt is guaranteed by a mortgage against a plot of land owned by Group subsidiary Riofisa, S.L.U.

- Permission to defer over five years payment of a total of 14,844 thousand euros of stamp duty accrued following the cancellation and re-constitution of the mortgage on all of the rental properties owned by the Parent Company in Spain, pledged as collateral as part of the syndicated loan refinancing agreement (Note 15). Of this sum, 6,763 thousand euros corresponds to properties located in Catalonia and 8,081 thousand euros to assets located in Madrid. This debt is guaranteed by mortgages on various properties of Group subsidiary Asentia Project, S.L.U.

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

The maturity schedule for the deferred payments, excluding interest, at 31 December 2012 and 30 June 2013 is as follows:

31 December 2012

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

30 June 2013

	Thousands of euros						
	Current	Non-current					Total
	1 year	2 years	3 years	4 years	5 years	Total non-current	
VAT	1,236	1,237	1,237	-	-	2,474	3,710
Stamp duty Catalonia	2,040	1,529	-	-	-	1,529	3,569
Stamp duty Madrid	2,442	1,628	-	-	-	1,628	4,070
Income tax 2007	1,686	1,686	1,686	140	-	3,512	5,198
Income tax 2008	2,478	301	-	-	-	301	2,779
Income tax 2010	187	106	-	-	-	106	293
Total	**10,069**	**6,487**	**2,923**	**140**	**-**	**9,550**	**19,619**

At 31 December 2012 and 30 June 2013, accrued and unpaid interest on the above deferrals amounted to 5,947 thousand and 4,216 thousand euros, respectively.

Other tax issues

The tax inspection of Inmobiliaria Colonial, S.A. (absorbed company, Note 1) for 1994 to 1997 in relation to corporate income tax, VAT and personal income tax withholding ended in 2001. The Parent 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 Parent 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 Parent in terms of reinvestment exemptions.

At 30 June 2013, some SFL Group companies had tax inspections in progress for sundry taxes for immaterial amounts. The Group does not expect material liabilities to arise as a result of these inspections.

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 Parent 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.

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

20. Contingent assets and liabilities

Guarantees extended to third parties

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

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

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

- Agreement with Prédica, a shareholder of the Parholding subgroup (Note 2.f), in which SFL holds 50%. In the event of a change of control of SFL, Prédica may consent to the change of control or acquire or sell all of the shares and current accounts held by SFL in the common subsidiary, at a price agreed between the parties or at market value.

Contingent assets

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

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

- A corporate 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.

Contingent liabilities

Since February 1999, the Parent has been awaiting a ruling on various suits brought in connection with a purchase agreement signed for the acquisition of the building located at Francisco Silvela, 42 in Madrid for 21,799 thousand euros (Note 17). Inmobiliaria Colonial S.A. has deposited a bank guarantee in court for the amount on which payment is pending. At the date of authorisation for issue of these interim 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.

Other contingencies

On 21 December 2007, the Parent entered a promise to purchase agreement with Grupo Monteverde for the acquisition of the equity of Proyecto Kopérnico 2007, S.L. The promise to purchase agreement stipulated an upfront cash payment of 80,000 thousand euros (Note 10), which Inmobiliaria Colonial, S.A. paid in December 2007, and the assumption by the Parent of certain rights and obligations vis-à-vis Eurohypo and Banco Madrid in the amount of 340,000 thousand euros, so long as this did not imply a higher 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 Parent 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 Parent (at Madrid's Court of First Instance No. 13). On 5 June 2011, the court issued a ruling partially upholding the suit brought by Grupo Monteverde and 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 Parent maintained an impairment loss on the full 80,000 thousand euro down payment, as a result of the fall in value of the assets owned by Proyecto Kopérnico 2007, S.L., based on the appraisal of an independent expert (Note 10).

In February 2013, Colonial 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 March 25, 2013, Colonial 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. Monteverde filed an extraordinary appeal against the ruling, citing procedural defects.

On 10 June 2013, the Provincial Court of Appeals issued a decree declaring the proceedings to be terminated and the ruling to be firm, as Monteverde did not submit evidence of the payment of the obligatory court fee for filing its appeal. The Court subsequently resolved to send the case documents to the Court of First Instance and to shelf the matter.

At 30 June 2013 the Parent company derecognised the amount of the down payment and the related impairment from the interim consolidated statement of financial position (Note 10).

21. Income and expenses

a) Revenue

Revenue comprises basically rental income from the Group's rental properties which are concentrated in the cities of Barcelona, Madrid and Paris. Revenue was 112,105 thousand and 106,607 thousand euros for the six-month periods ended 30 June 2012 and 2013, respectively. The breakdown by geographic segment is as follows:

Rental business	Thousands of euros	
	June 2012	June 2013
Spain	37,534	31,973
France	74,571	74,634
	112,105	**106,607**

Revenue in the first half of 2012 and 2013 includes the effect of deferring grace periods and rent reset clauses throughout the term elapsing between the start of the lease agreement and the first option for renewing it. These accruals increased revenue for the first half of 2013 by 2,324 thousand euros (by 4,008 thousand euros for the first half of 2012).

At 30 June 2012 and 2013, the total sum of minimum future lease collections corresponding to the Group's non-cancellable operating leases, on the basis of then-prevailing agreements, and without considering the impact of community expenses or future inflation-linked rent increases or contractually agreed rent increases, was as follows:

Minimum operating lease payments collectible	Thousands of euros	
	Nominal amount	
	30 June 2012	30 June 2013
Within one year	208,640	201,685
Spain	*67,777*	*60,157*
France	*140,682*	*141,528*
Between one and five years	452,095	479,256
Spain	*104,139*	*109,476*
France	*347,956*	*369,780*
After five years	160,076	134,192
Spain	*38,727*	*34,533*
France	*121,349*	*99,659*
Total	**820,810**	**815,132**
Spain	***210,643***	***204,166***
France	***610,167***	***610,966***

b) Other operating income

This heading reflects mainly property services rendered. This source of income totalled 2,757 thousand and 2,032 thousand euros at 30 June 2012 and 2013, respectively.

c) Employee benefits expense

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

	Thousands of euros	
	June 2012	June 2013
Wages and salaries	6,713	7,490
Social security costs	2,212	2,720
Other employee benefits expenses	1,139	842
Termination benefits	-	98
	10,064	**11,150**

"Other employee benefits expenses" in the table above include 715 thousand euros corresponding to the cost accrued during the year under the Parent's long-term bonus scheme and SFL stock option plan detailed in Note 22.

Group headcount at 30 June 2012 and 2013, as well as the average headcount in the first half of 2013, employed in continuing operations, broken down by job category and gender is as follows:

	Employees at				Average headcount, 1H 2013	
	30 June 2012		30 June 2013			
	Men	Women	Men	Women	Men	Women
General and area managers	20	10	19	11	19	11
Technical graduates and middle managers	25	20	27	18	25	19
Clerical staff	14	64	14	60	15	62
Other	1	1	1	1	1	1
	60	**95**	**61**	**90**	**60**	**92**

Group headcount at 30 June 2012 and 2013, as well as the average headcount in the first half of 2013, employed in discontinued operations, broken down by job category and gender is as follows:

	Employees at				Average headcount, 1H 2013	
	30 June 2012		30 June 2013			
	Men	Women	Men	Women	Men	Women
General and area managers	28	11	24	12	26	12
Technical graduates and middle managers	34	24	34	22	33	23
Clerical staff	19	75	17	66	18	69
Other	3	3	1	2	2	3
	84	**113**	**76**	**102**	**78**	**106**

The average Group headcount for the first half of 2013 did not differ significantly from the headcount at 30 June 2013.

d) Other operating expenses

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

	Thousands of euros	
	June 2012	June 2013
External services	6,272	3,266
Taxes other than income tax	11,976	13,512
Other expenses	(163)	2,028
Total	**18,085**	**18,806**

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

The movement in "Impairment losses on trade receivables" in the first half of 2013 was as follows:

	Thousands of euros	
	June 2012	June 2013
Opening balance	158,288	160,674
Net change	1,167	(4,130)
Closing balance	**159,455**	**156,544**

During the first half of 2013 several agreements were reached with tenants whereby the amounts provided for in prior years could be reversed.

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

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

	Thousands of euros					
	Sale price		Costs to sell		Net gain/(loss) on sale	
	June 2012	June 2013	June 2012	June 2013	June 2012	June 2013
Spain	-	17,662	-	18,821	-	(1,159)
France	-	290,371	-	292,553	-	(2,182)
Total	-	**308,033**	-	**311,374**	-	**(3,341)**

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

	Thousands of euros	
	June 2012	June 2013
Change in fair value by statement of financial position heading		
Investment property (Note 9)	64,818	37,361
Non-current assets held for sale - Investment property (Note 25)	(9,252)	(3,366)
Changes in the fair value of investment properties recognised in the statement of comprehensive income	**55,566**	**33,995**

g) Finance income and cost

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

	Thousands of euros	
	June 2012	June 2013
Finance income:		
Revenue from equity investments	877	84
Other interest and similar income	1,318	2,412
Income from financial derivatives (Note 16)	6,321	2,035
Capitalised borrowing costs (Notes 4.c and 4.s)	4,715	5,583
Share of profit/(loss) of equity-accounted investments (Note 10)	9,310	11,583
Total finance income	**22,541**	**21,697**
Finance cost:		
Interest and similar expense (*)	(73,391)	(106,684)
Impairment of financial assets (Notes 10 and 13)	(13,566)	(2,505)
Expense on financial derivatives (Note 16)	(13,403)	(10,449)
Total finance cost	**(100,360)**	**(119,638)**
Net finance cost	**(77,819)**	**(97,941)**

(*) At 30 June 2013, the figure includes 37,500 thousand for interest accrued upon application of the additional interest spread to the balances drawn down on tranches A1 and A3 of the Parent Company's syndicated loan (Note 15).

h) Related party transactions

The main related party transactions undertaken in the first half of 2012 and 2013 were as follows:

	Thousands of euros			
	2012		2013	
	Interest income (cost)	Building leases and other income	Interest income (cost)	Building leases and other income
The Royal Bank of Scotland Group, PLC	(6,711)	-	(14,434)	-
Crédit Agricole	(9,778)	7,888	(15,407)	78
Commerzbank	(5,299)	-	(12,539)	-
Coral Partners	(4,742)	-	(11,590)	-
La Caixa	(1,353)	1,430	(1,008)	3,347
Banco Popular	(36)	-	(37)	-
Gas Natural, SDG, S.A.	-	4,090	-	2,958
Total	**(27,919)**	**13,408**	**(55,015)**	**6,383**

i) Results by consolidated company

The contribution of the consolidated companies to profit (loss) for the six-month periods was as follows:

Company	Thousands of euros					
	Consolidated profit/(loss)		Profit/(loss) attributable to non-controlling interests		Profit/(loss) attributable to owners of the Parent	
	June 2013	June 2012	June 2013	June 2012	June 2013	June 2012
Inmobiliaria Colonial, S.A.	(105,410)	(101,993)	-	-	(105,410)	(101,993)
Torre Marenostrum, S.A.	(157)	1,744	107	(785)	(50)	959
SFL subgroup	99,171	164,037	(55,468)	(81,309)	43,703	82,728
Riofisa subgroup	(114,274)	(51,802)	12,397	3,460	(101,877)	(48,342)
Desarrollos Urbanísticos Entrenúcleos 2009 S.L.U.	(37,811)	(16,834)	-	-	(37,811)	(16,834)
Asentia Project, S.L.U.	(104,572)	(91,542)	-	-	(104,572)	(91,542)
Abix Service, S.L.U.	(1,794)	(2,932)	-	-	(1,794)	(2,932)
Asentia Invest, S.L.	-	(1)	-	-	-	(1)
Asentia Gestión, S.L.U.	-	(1)	-	-	-	(1)
Inmocaral Servicios, S.A.U.	(177)	(187)	-	-	(177)	(187)
Total	**(265,024)**	**(99,511)**	**(42,964)**	**(78,634)**	**(307,988)**	**(178,145)**

22. Stock option plans

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

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

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

- Growth in net asset value (NAV) of the Parent 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 Group subsidiary SFL's NAV per share above the arithmetic average growth in NAV at certain listed French real estate companies
- Growth in the Parent Company's NAV per share of 100%, and
- Delivery of the core components of the Business Plan

All the above metrics refer to the four-year period from 1 January 2011 to 1 January 2015. At 30 June 2013 and 31 December 2012, the Parent had recognised an expense in this connection under "Employee benefits expense - Other employee benefits expenses" in the consolidated statement of comprehensive income in the amount of 617 thousand and 1,233 thousand euros, respectively (Note 21.c). As this scheme is payable in Parent shares, the balancing entry for this expense in recognised directly in Group equity (Note 4.j).

The maximum number of shares to which the plan beneficiaries may 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	780,000
Total	**1,780,000**

The approved scheme also entails a final adjustment such that the monetary value of the shares delivered is in no event more than 100% of the Parent's average share price in the course of April 2011, on the basis of the number of shares into which its share capital is divided following the share aggregation outlined in Note 14.

The scheme also envisages an adjustment mechanism, at the recommendation of the Nomination and Remuneration Committee, in the event the Company takes measures that affect the indicators (NAV, no. of shares outstanding, etc.).

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

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

At 30 June 2013, 617 thousand euros was recognised in the interim consolidated statement of comprehensive income relating to this bonus shares allocation plan (1,233 thousand euros at 31 December 2012).

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

Stock option plan on SFL shares

At 30 June 2013, SFL had three stock option plans for executive directors and senior managers of the SFL subgroup. These options can be exercised at any time at the strike price. The strike price for each of the stock option plans was set by reference to the average share price over a specific period.

	Purchase options (*)
Date of approval of stock option plan	13.03.2007
End of exercise period	13.03.2015
Strike price per share	60.11
Options at 31 December 2012	234,335
Shares subscribed for in 2013	-
Number of outstanding options at 30 June 2013	234,335

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

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

In addition, the subsidiary SFL has two bonus-share plans at 30 June, the breakdown of which is:

	Plan 1		Plan 2
Meeting date	09.05.11	09.05.11	09.05.11
Board of Directors date	16.02.12	05.03.13	16.02.12
Exercise date, starting on	31.12.14	05.03.16	31.12.13
% expected	70.83%	70.80%	70.83%
Target number	32,988	35,144	13,678
Expected number	23,366	24,882	9,688
Amount per share	€29.08	€31.65	€30.97
Estimated number at the end of the period	23,366	24,882	9,688

Each allocation plan has been calculated based on the expected number of shares multiplied by the unit fair value of those shares. The expected number of shares is the total number of shares multiplied by the expected percentage of take-up in the grant. The expected percentage is 70.80 - 70.83% for the plans of the subsidiary SFL. The resulting amount is charged on a straight-line basis over the grant period.

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

At 30 June 2013, 329 thousand euros was recognised in the interim consolidated statement of comprehensive income relating to these bonus share plans.

23. Period-end balances with related parties and associates

At 30 June 2013, the Group had the following balances outstanding with related parties and associates:

	Thousands of euros				
Asset / (Liability) Company	Syndicated loans (Note 15)	Lines of credit received (Note 15)	Other loans received (Note 15)	Interest on borrowings (Note 15)	Net derivatives (Note 16)
Royal Bank of Scotland	(359,666)	-	(40,800)	(9,702)	(441)
Crédit Agricole	(350,220)	(17,405)	(11,952)	(9,431)	43
Commerzbank	(359,943)	-	-	(9,698)	17
Coral Partners	(349,170)	-	-	(9,159)	-
La Caixa	-	-	(45,755)	(90)	(2,236)
Banco Popular	-	-	-	-	2
TOTAL	**(1,418,999)**	**(17,405)**	**(98,507)**	**(38,080)**	**(2,615)**

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

Asset / (Liability) Company	Thousands of euros				
	Syndicated loans (Note 15)	Lines of credit received (Note 15)	Other loans received (Note 15)	Interest on borrowings (Note 15)	Net derivatives (Note 16)
Royal Bank of Scotland	(359,660)	-	(40,800)	(3,921)	(1,241)
Crédit Agricole	(358,577)	(17,653)	(13,417)	(3,831)	22
Commerzbank	(359,943)	-	-	(3,919)	9
Coral Partners	(349,170)	-	-	(3,711)	-
La Caixa	-	-	(47,054)	(100)	(2,430)
Banco Popular	-	-	-	-	1
Total	**(1,427,350)**	**(17,653)**	**(101,271)**	**(15,482)**	**(3,639)**

24. Director and senior management compensation and other benefits

Compensation of Board members

In the first half of 2013, the Company recorded an expense of 1,374 thousand euros in relation to wages and salaries, incentives, per diem allowances and bylaw-stipulated compensation earned by serving members of the Board of Directors. The details of this compensation are as follows:

	Thousands of euros		
	Inmobiliaria Colonial, S.A.	Other Group companies	Total
Compensation paid to executive directors (*):	**514**	**75**	**589**
Per diem allowances:	**274**	**54**	**328**
Per diem allowances: Directors	258	36	294
Additional per diems for the Chairman	16	18	34
Fixed compensation:	**457**	**-**	**457**
Director remuneration	248	-	248
Additional remuneration for the Executive Committee	87	-	87
Additional remuneration for the Audit and Control Committee	55	-	55
Additional remuneration for the Nomination and Remuneration Committee	67	-	67
Total	**1,245**	**129**	**1,374**
Remuneration for executive directors:	672	111	783

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

Director compensation accrued at 30 June 2012 was 1,158 thousand euros, with 500 thousand euros earned by executive directors, 210 thousand euros in per diems and 448 thousand euros in fixed remuneration, respectively

At 30 June 2013 and 2012, the Parent had a civil liability insurance policy covering all of its directors, executives and staff, for a total of 560 thousand and 544 thousand euros, respectively. In 2009, the Parent took out an insurance policy on the convertible bonds (Note 14) maturing in five years at a cost of 412 thousand euros.

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

At 30 June 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.

The Parent Company's Board of Directors was made up of nine men at 30 June 2013 and of ten men at 30 June 2012. At the date of authorisation for issue of these interim consolidated financial statements, the Board of Directors comprised seven men.

Compensation of senior management

The Parent's senior management team is formed by senior executives and other persons responsible for the management of the Company, reporting to the CEO. At both 30 June 2012 and 2013, the Parent's senior management team was made up of two men and two women.

In the six-month periods ended 30 June 2012 and 2013, the senior management team earned 600 thousand and 622 thousand euros, respectively, in wages and salaries.

At 31 December 2012 and 30 June 2013, two members of the senior management team had signed golden parachute clauses, which are triggered in the event of certain cases of termination or change of control.

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

The movements under this heading in the year ended 31 December 2012 and in the first half of 2013 were as follows:

	Thousands of euros		
	Investment property (Note 4.c)	**Assets of the Asentia subgroup**	**Total**
Balance at 31 December 2011	**145,242**	**1,719,943**	**1,865,185**
Additions	437	-	437
Retirements or decreases	-	(148,403)	(148,403)
Impairment (Note 21.f)	(9,252)	-	(9,252)
Balance at 30 June 2012	**136,427**	**1,571,540**	**1,707,967**
Additions	(100)	-	(100)
Retirements or decreases	(22,826)	(334,598)	(357,424)
Transfers	245,311	-	245,311
Impairment	28,052	-	28,052
Balance at 31 December 2012	**386,864**	**1,236,942**	**1,623,806**
Additions	2,229	-	2,229
Retirements or decreases	(306,664)	(247,571)	(554,235)
Transfers	407	-	407
Impairment (Note 21.f)	(3,366)	-	(3,366)
Balance at 30 June 2013	**79,470**	**989,371**	**1,068,841**

At 30 June 2013, the Group had taken out several mortgages in an aggregate amount of 507,525 thousand euros against assets held for sale, with a net carrying amount of 633,180 thousand euros (Note 15). At 31 December

2012, these mortgages totalled 555,755 thousand euros and were held against assets held for sale with a net carrying amount of 690,973 thousand euros.

Investment property (Note 9)

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

Changes in 2013

The main transactions carried out in the first half of 2013 were as follows:

- The Parent sold the property located at Samontà 19-21 for a total price of 17,662 thousand euros, giving rise to a loss on the disposal of 1,359 thousand euros.

- The subsidiary SFL sold the Hotel Mandarin Oriental for 290,000 thousand euros, giving rise to a loss on the disposal of 2,182 thousand euros.

Changes in 2012

The main transactions carried out in 2012 were as follows:

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

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

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

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

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

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

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

ASSETS	30 June 2013	31 December 2012	LIABILITIES	30 June 2013	31 December 2012
Intangible assets	7	10			
P,P&E held under concession and concession work in progress	92,883	105,899			
Property, plant and equipment	261	305	Bank borrowings and other financial liabilities	979,666	964,384
Investment property	36,967	42,578	Deferred tax liabilities	10,936	12,620
Non-current financial assets	14,861	14,988	Provisions	14,353	21,020
Deferred tax assets	2,719	2,641	Other non-current liabilities	5,574	11,532
NON-CURRENT ASSETS	**147,698**	**166,421**	**NON-CURRENT LIABILITIES**	**1,010,529**	**985,587**
Inventories	789,639	1,004,262			
Trade and other receivables	6,865	18,241			
Current financial assets	2,331	2,223	Bank borrowings and other financial liabilities	504,770	560,140
Tax receivables	2,199	1,723	Trade payables	68,718	80,461
Cash and cash equivalents	40,639	44,072	Taxes payable	5,327	5,634
CURRENT ASSETS	**841,673**	**1,070,521**	**CURRENT LIABILITIES**	**578,815**	**646,235**
TOTAL ASSETS	**989,371**	**1,236,942**	**TOTAL LIABILITIES**	**1,589,344**	**1,655,791**

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

Property, plant and equipment held under concession

This heading includes assets held under concession arrangements and leased by the Riofisa subgroup. These assets generated rental income of 5,063 thousand and 4,755 thousand euros in the six-month periods ended 30 June 2012 and 2013, respectively.

Investment property

This heading includes a number of properties leased by the Riofisa subgroup. These assets generated rental income of 513 thousand and 536 thousand euros in the first six months of 2012 and 2013, respectively.

Inventories

The movements under this heading in the year ended 31 December 2012 and in the first half of 2013 were as follows:

	Thousands of euros				
	Undeveloped land and lots	Completed developments	Advances	Impairment	**Total**
Balance at 31 December 2011	**2,305,196**	**162,143**	**6,490**	**(1,085,154)**	**1,388,675**
Additions and provisions	4,552	-	-	(126,836)	(122,284)
Retirements	(871)	(11,295)	-	10,199	(1,967)
Transfers	(791)	-	(12)	803	-
Balance at 31 December 2012	**2,271,387**	**117,535**	**4,655**	**(1,389,314)**	**1,004,262**
Additions and provisions	6,194	-	-	(195,542)	(189,348)
Retirements	(24,071)	(18,197)	-	16,993	25,275
Transfers	111	-	(111)	-	-
Balance at 30 June 2013	**2,253,621**	**99,338**	**4,544**	**(1,567,864)**	**789,639**

In the first half of 2013, Group subsidiary Asentia Project sold 69 units (45 apartments and 24 commercial premises), 100 parking spaces and 9 storage rooms, giving rise to the derecognition of 15,612 thousand euros in total. In addition, the Riofisa subgroup sold 6 units (commercial premises and offices) and 6 parking spaces, resulting in the derecognition of 612 thousand euros, as well as land in Palma de Mallorca, resulting in the derecognition of 9,000 thousand euros.

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

At 31 December 2012, the Group had recognised an accumulated impairment loss of 1,389,314 thousand euros to reduce the carrying amount of certain sites, plots, completed developments and advances to their net realisable value, which was established in accordance with the criteria outlined in Note 4.s.

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

	Thousands of euros					
	31 December 2012			30 June 2013		
	Cost	Impairment charge	Net amount	Cost	Impairment charge	Net amount
Zoned land and lots	2,271,387	(1,366,693)	904,694	2,253,621	(1,527,879)	725,742
Completed developments	117,534	(22,621)	94,913	99,338	(39,985)	59,353
Advances	4,655	-	4,655	4,544	-	4,544
Total	**2,393,576**	**(1,389,314)**	**1,004,262**	**2,357,503**	**(1,567,864)**	**789,639**

Bank borrowings and other financial liabilities

At 31 December 2012 and 30 June 2013, the breakdown by maturity of the bank borrowings and other financial liabilities presented under "Liabilities relating to assets held for sale" in the consolidated statement of financial position is as follows:

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

30 June 2013	Thousands of euros							
	Current	Non-current						Total
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total non-current	
Bank borrowings:								
Lines of credit	13,113	57,472	-	-	-	-	57,472	70,585
Third parties	*13,113*	*36,995*	-	-	-	-	*36,995*	*50,108*
Related parties	-	*20,477*	-	-	-	-	*20,477*	*20,477*
Loans	195,253	173,435	145	92,249	163	7,366	273,358	468,611
Third parties	*137,841*	*106,115*	*145*	*92,249*	*163*	*7,366*	*206,038*	*343,879*
Related parties	*57,412*	*67,320*	-	-	-	-	*67,320*	*124,732*
Syndicated loans (Note 15)	-	917,225	-	-	-	-	917,225	917,225
Third parties	-	*239,671*	-	-	-	-	*239,671*	*239,671*
Related parties	-	*677,554*	-	-	-	-	*677,554*	*677,554*
Interest	8,516	5,851	-	268	-	-	6,119	14,635
Third parties	*8,471*	*3,442*	-	*268*	-	-	*3,710*	*12,181*
Related parties	*45*	*2,409*	-	-	-	-	*2,409*	*2,454*
Debt arrangement expenses	-	-	-	-	-	-	-	-
Total bank borrowings	**216,882**	**1,153,983**	**145**	**92,517**	**163**	**7,366**	**1,254,174**	**1,471,056**
Third parties	***159,425***	***386,223***	***145***	***92,517***	***163***	***7,366***	***486,414***	***645,839***
Related parties	***57,457***	***767,760***	**-**	**-**	**-**	**-**	***767,760***	***825,217***
Concession debt	620	620	620	620	620	10,238	12,718	13,338
Other financial liabilities	42	-	-	-	-	-	-	42
Total other financial liabilities	**662**	**620**	**620**	**620**	**620**	**10,238**	**12,718**	**13,380**
Total at 30 June 2013	**217,544**	**1,154,603**	**765**	**93,137**	**783**	**17,604**	**1,266,892**	**1,484,436**

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

Asentia Project syndicated loan

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

The breakdown of the syndicated loan by tranche at 31 December 2012 and 30 June 2013 is provided in the table below:

Thousands of euros	31 December 2012		30 June 2013	
	Limit	Nominal amount drawn down	Limit	Nominal amount drawn down
Asentia Project syndicated loan				
Term Loan Facility	501,020	501,020	501,020	501,020
Convertible Facility	275,000	275,000	163,880	163,880
Profit participating loan Convertible Facility (*)	-	-	111,120	111,120
Interest included within the nominal value of the borrowings ("PIK")	-	60,031	-	15,330
Profit participating loan ("PIK")(*)	-	60,804	-	125,875
Total	**776,020**	**896,855**	**776,020**	**917,225**

(*) In accordance with the loan contract, the interest accrued and capitalised from the conversion date to 30 June 2013, in the amount of 6,210 thousand euros, is included in the nominal value of the profit participating loan.

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

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

i. The Term Loan Facility for 520,000 thousand euros, secured by: (i) a mortgage commitment on the Asentia Project properties; (ii) collateral on Asentia Project's equity; and (iii) collateral on all of Riofisa's equity. At 31 December 2012 at 30 June 2013, the outstanding balance of this tranche stood at 579,399 thousand and 592,091 thousand euros, respectively, net of the amount repaid by Asentia Project since the loan was arranged (18,980 thousand euros), including capitalised interest in the amount of 78,379 thousand and 91,072 thousand euros (including interest on the profit participating loan).

ii. The Convertible Facility for 275,000 thousand euros, secured by warrants convertible into shares of the Parent (Note 15) at the election of the lenders: (i) at maturity; (ii) in the event of breach of covenants; or (iii) as a result of the sale of a significant percentage of assets by Asentia Project should the cash proceeds obtained be insufficient 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 Parent'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 and 30 June 2013, this outstanding balanced of this tranche stood at 317,456 thousand and 325,134 thousand euros, respectively, including capitalised interest of 42,456 thousand and 50,133 thousand euros (including interest on the profit participating loan).

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

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

On 1 September 2012, the Sole Director of Asentia Project, S.L.U. converted 59,632 thousand euros to a participating loan in order to avoid the mandatory dissolution of Asentia Project no later than at the end of 2012.

At 31 December 2012, as a result of Asentia Project, S.L.U.'s losses in the second half of that year, this company met one of the grounds for mandatory winding up, in light of the aforementioned September 2012 participating loan and Additional Provision One of Royal Decree-Law 10/2008 of 12 December adopting financial measures to improve liquidity of small and medium-sized companies and other supplementary economic measures, for the sole purpose of ensuring that impairment losses on items of property, plant and equipment, investment property and inventories are not taken into account in determining losses for the possible reduction of capital and winding up of a company as stipulated in sections 363 and 327 of the Spanish Corporate Enterprises Act.

In light of the grounds for winding up of Asentia Project, S.L.U., on 22 March 2013 that company's Sole Director formalised the conversion of 171,151 thousand euros into a participating loan in order to avoid the obligatory winding up of the company. Following the conversion and taking into account that the aforementioned effects of Royal Decree-Law 10/2008, of 12 December, were extended through Royal Decree-Law 3/2013, of 22 February, Asentia Project, S.L.U. is not expected to be subject to obligatory winding-up in the short term.

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

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

At 31 December 2012 and 30 June 2013, Asentia Project had recognised 120,835 thousand and 141,205 thousand euros of interest on the syndicated loan, respectively. This interest has been capitalised in full in the nominal value of the loan.

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

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

Notes:

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

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

Riofisa S.A.U. borrowings

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

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

Riofisa, S.A.U. maintains a syndicated loan with BBVA and Bankia (SAREB) for a total amount of 113,885 thousand euros at 30 June 2013. This loan is guaranteed with land owned by the company, two plots of land owned by the subsidiary Riofisa Development E.O.O.D (Bulgaria) and a plot owned by the subsidiary Riofisa Espacios Inmobiliarios, S.L.U., as well as through the pledge of ownership interests in several Group companies (37% of Riofisa Internacional, S.L., 100% of Riofisa Development E.O.O.D and 100% of Riofisa Espacios Inmobiliarios, S.L.U.)

The aforementioned syndicated loan contract stipulates that the Loan to Value ratio (LTV) must be less than or equal to 85%. In the event this condition is not met and LTV exceeds 90%, Riofisa S.A.U. undertakes to voluntarily partially repay the financing or provide additional guarantees to the satisfaction of the majority of the lenders, so that LTV may return to the level stipulated in the loan contract. At the date of authorisation for issue of the present interim consolidated financial statements, the stipulated LTV ratio has not been met. Accordingly, the loan is reflected as current. Conversations are underway with the agent bank in order to remedy the situation.

Necsa, Nuevos Espacios Comerciales, S.A. loan

At 31 December 2012, the subsidiary Necsa classified 61,463 thousand euros to the short term in connection with the syndicated loan received from the Royal Bank of Scotland (agent bank) and Unicaja Banco, maturing on 19 October 2013. Necsa has held several conversations with the lenders in order to refinance or definitively cancel this debt.

On 19 November 2012, in order to fully repay the loan at maturity, Necsa granted authority to sell in respect of the lease contract for the Vialia Málaga shopping centre, together with the related management contract held by Riofisa, S.A.U. At the date of authorisation for issue of these interim consolidated financial statements, the sale and purchase negotiations are underway.

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

At 30 June 2013, the subsidiary Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U. has a loan and credit facility of 92,095 thousand euros with BBVA taken out to finance the acquisition of land in Dos Hermanas (Seville). On 20 June 2013, the subsidiary, together with Asentia Project, S.L.U. and Inmobiliaria Colonial, S.A. (the Parent) 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 for the Parent in respect of that debt. Recourse would be limited to 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 DUE 2009, as well as payment of interest accrued to that date (a total of 75,000 thousand euros) was made with funds obtained through:

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

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

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

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

  - Grant by BBVA of additional financing to the Parent, for 28,566 thousand euros (Note 15), of which 18,000 thousand euros are collateralised by a building in Barcelona, and 10,566 thousand euros are mandatorily convertible into Parent 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 10,472 thousand euros. These funds were obtained through the sale to BBVA of several homes owned by Asentia Project, S.L.U.

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

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

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

    - 20,000 thousand euros to be used to finance DUE 2009, in order to bear the costs incurred on pending works in the UE1 (Note 15)

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

On 20 December 2012, the subsidiary Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U. and the Council of Dos Hermanas (Seville) signed a new urban planning and management agreement to reschedule the execution of the UE2 urban development work and to define a new stage plan in line with the current circumstances and needs of the municipal government. This agreement was definitively approved by the Council on 26 April 2013. Under the terms agreed, the obligations to be incurred on the part of the Group were decreased by 28,699 thousand euros (recognised under "Cost of sales" in the consolidated statement of comprehensive income for discontinued operations at 31 December 2012), for a total of 13,689 thousand euros at 30 June 2013.

Guarantees given

The guarantees given under the Framework Refinancing Agreement for borrowings of Inmobiliaria Colonial, S.A. of 19 February 2010 (Note 15) are listed below:

- A second-lien mortgage on the property asset Serrano Galvache no. 26, Madrid and up to a maximum of 40,000 thousand euros given by the Parent to guarantee the mortgage loan of 45,000 thousand euros plus interest accrued and not paid of 7,733 thousand euros owed to Bankia by Asentia Project, the debt of 9,993 thousand euros of S.L.U., Riofisa, S.A.U. and the pledge on the rent of this building.

- If Asentia Project, S.L.U. obtains, as proceeds from the disposal of the mortgaged land called Los Naranjos, more than 45,000 thousand euros, the excess above this amount up to 10,000 thousand euros must be used to repay Riofisa, S.A.U.'s loan with Bankia.

- In addition, Sociedad Asentia Project S.L.U. guarantees, with estates located in Llinars del Vallés, a credit facility for 10,000 thousand euros between subsidiary Riofisa, S.A.U. and Santander Central Hispano.

Cash and cash equivalents

At 31 December 2012 and 30 June 2013, cash and cash equivalents stood at 44,072 thousand and 40,639 thousand euros, of which 19,957 thousand and 18,447 thousand euros, respectively, was pledged. At 30 June 2013, “Cash and cash equivalents” includes a current account of subsidiary Asentia Project, S.L.U. with an unrestricted amount of 10,144 thousand euros. This amount is unrestricted unless the situations for early repayment established in the loan agreement arise, in which case the amount would be pledged in favour of the bank syndicate.

Trade payables and other non-current liabilities

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

	Thousands of euros			
	31 December 2012		30 June 2013	
	Current	Non-current	Current	Non-current
Trade and other payables	64,394	-	62,506	-
Advances	13,187	-	2,251	-
Payables for the purchase of properties and land	2,880	-	3,961	-
Guarantees and deposits received	-	2,959	-	2,693
Other liabilities	-	8,573	-	2,881
Total	**80,461**	**11,532**	**68,718**	**5,574**

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

It also includes the expense for planning pending on sites disposed of 2007 in the town of Dos Hermanas (Seville) as established in the purchase agreements for these sites. At 30 June 2013, costs to be incurred amounted to 13,689 thousand euros (14,800 thousand euros in 2012). The Parent’s directors believe actual costs incurred will not deviate significantly from the provision recognised.

Contingent liabilities

There are demarcation proceedings affecting virtually all the estates acquired in the past by the Parent Company (Grupo Inmocaral, S.A. at that time) on a stretch of the coast of Almeria in respect of which legal proceedings are ongoing before the National Court of Appeals, which has issued a sentence upholding the appeal lodged and declaring the Ministerial Order approving the demarcation null and void due to prescription of the case; however the decision is not yet final. Until the legal proceedings culminate in the form of a final decision, it is not possible to ascertain whether the land will ultimately remain within said demarcation. At 30 June 2013, this asset continued to be recognised under “Inventories” of discontinued operations at a recoverable amount of 5,320 thousand euros, which corresponds to the appraisal value provided by an independent third party expert.

The Parent Company began legal proceedings against the seller of a piece of land located in Roquetas de Mar (Almeria) seeking a sentence against the seller and damages in compensation for the surplus amount paid, determined to be 74,101 thousand euros, plus legal interest thereon, as the amount of housing finally zoned in the definitive urban development plan was substantially less than that assumed and stipulated. On 21 September 2012, both the Parent and the seller filed a notice of desistance regarding the actions filed in these proceedings. On 24 September 2012, the court handed down its decision, in which it deemed that all of the parties had desisted from the actions filed, imposing no legal fees. As a result of the agreement reached, the Parent is not

required to pay the amount pending, i.e., 41,199 thousand euros, which was recognised as a reduction in the value of the asset, and the seller is not required to pay the Parent the amounts claimed by the latter, i.e., 74,101 thousand euros.

Consolidated statement of comprehensive income breakdown for discontinued operations

	Thousands of euros	
	30 June 2013	30 June 2012
Revenue	25,300	13,621
Cost of sales	(25,198)	(11,400)
Other income	512	529
Employee benefits expense	(2,069)	(2,564)
Other operating expenses	(5,414)	(5,319)
Depreciation and amortisation expense	(710)	(1,715)
Net change in provisions	5,588	(756)
Operating profit/(loss)	**(1,991)**	**(7,604)**
Change in fair value of investment property	(5,612)	(3,680)
Net gain/(loss) on change in value of assets and net impairment charges	(208,051)	(118,040)
Finance income	4,278	4,023
Finance cost	(45,539)	(36,078)
Losses before taxes	**(256,912)**	**(161,379)**
Income tax expense (Note 19)	81	1,014
Consolidated net loss from continuing operations	**(256,831)**	**(160,365)**
Consolidated net profit/(loss) from discontinued operations	-	-
Consolidated net loss	**(256,834)**	**(160,365)**
- attributable to equity holders of the Parent Company (Note 5)	(244,437)	(156,905)
- attributable to non-controlling interests (Note 14)	(12,397)	(3,460)
Basic loss per share	**(1,090)**	**(0,696)**
- from discontinued operations	(1,090)	(0,696)

The breakdown of “Net gain/(loss) on change in value of assets and net impairment charges” is as follows:

	Thousands of euros	
	June 2013	June 2012
Impairment of assets held under concession	(12,384)	2,505
Impairment of inventories	(195,542)	(129,905)
Derecognitions of replaced assets	(125)	-
Impairment of the investment in Asentia Project (Note 4.s)	-	9,360
Impairment charges and net gains/(losses) on assets	**(208,051)**	**(118,040)**

The breakdown of net finance expense in the six-month periods ended 30 June 2012 and 2013 is as follows:

	Thousands of euros	
	June 2013	June 2012
Finance income:		
Revenue from equity investments	-	1
Other interest and similar income	317	1,031
Capitalised borrowing costs (Note 4.s)	3,961	2,991
Total finance income	**4,278**	**4,023**
Finance cost:		
Interest and similar expense	(45,539)	(36,078)
Total finance cost	**(45,539)**	**(36,078)**
Net finance income/(expense)	**(41,261)**	**(32,055)**

Finance cost includes the effect of recycling the amounts recognised in equity for changes in the value of DUE's derivative (10,638 thousand euros) to the consolidated statement of comprehensive income (Note 14).

26. Auditors' fees

Fees for auditing services in the first six months of 2012 and 2013 provided to the various companies comprising the Colonial Group by the principal auditor and other auditors are set forth below:

	Thousands of euros	
	Principle auditor	Other auditors
1H 2012		
Audit services	446	167
Non-audit services	23	143
Total 1H 2012	**469**	**310**
1H 2013		
Audit services	446	173
Non-audit services	51	-
Total 1H 2013	**497**	**173**

No fees were invoiced for tax advisory services.

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

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

27. Events after the end of the reporting period

On 4 July 2013, the subsidiary SFL refinanced the 300,000 thousand euros revolving credit facility from BNP Paribas (Note 15), which was set to mature in October 2014. As per the refinancing terms, the nominal value was increased to 400,000 thousand euros and the maturity was extended to July 2018, with an applicable interest spread between 180bp and 230bp, subject to LTV. The entire balance is available for drawdown.

28. Explanation added for translation to English

These interim complete consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group (see Note 2). Certain accounting practices applied by the Group that

conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

APPENDIX I
Fully consolidated companies

At 31 December 2012 and 30 June 2013, fully consolidated subsidiaries and related information are as follows:

	% shareholding					
	Direct		Indirect		Shareholder	Line of business
	31.12.12	30.06.13	31.12.12	30.06.13		
Torre Marenostrum, S.L. Avda. Diagonal 532 08006 Barcelona (Spain)	55%	55%	-	-		Real estate
Asentia Project, S.L.U. Avda. Diagonal 532 08006 Barcelona (Spain)	100%	100%	-	-		Real estate
Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U. Avda. Diagonal 532 08006 Barcelona (Spain)	-	-	100%	100%	Asentia Project, S.L.U.	Real estate
Asentia Invest, S.L.U. Avda. Diagonal 532 08006 Barcelona (Spain)	-	-	-	-		Real estate
Asentia Gestión, S.L.U. Avda. Diagonal 532 08006 Barcelona (Spain)	100%	100%	-	-		Real estate
Abix Service, S.L.U. Avda. Diagonal 532 08006 Barcelona (Spain)	100%	100%	-	-		Real estate
Inmocaral Servicios, S.A.U. Paseo de la Castellana, 52 Madrid (Spain)	-	-	100%	100%	Asentia Project, S.L.U.	Real estate
Société Foncière Lyonnaise, S.A. (SFL) 40, rue Washington 75008 Paris (France)	53.45%	53.14%	-	-		Real estate
Segpim, S.A. 40, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Sales of real estate and rendering of services
Locaparis, SAS 40, rue Washington 75008 Paris (France)	-	-	100%	100%	Segpim	Sales of real estate and rendering of services
Maud, SAS (formerly SB1, SAS) 40, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Real estate
SB2, SAS 40, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Real estate
SB3, SAS 40, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Real estate
SCI SB3 40, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Real estate

	% shareholding					
	Direct		Indirect		Shareholder	Line of business
	31.12.12	30.06.13	31.12.12	30.06.13		
SCI Washington 40, rue Washington 75008 Paris (France)	-	-	66%	66%	SFL	Real estate
SCI 103 Grenelle 40, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Real estate
SCI Paul Cézanne 40, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Real estate
Riofisa, S.A.U. Avda. Diagonal 532 08006 Barcelona (Spain)	-	-	100%	100%	Asentia Project, S.L.U.	Real estate
Riofisa Sur, S.L. Paseo de la Castellana, 52 28046 Madrid (Spain)	-	-	50.10%	50.10%	Riofisa, S.A.U.	Real estate
Necsa, Nuevos Espacios Comerciales, S.A. Paseo de la Castellana, 52 28046 Madrid (Spain)	-	-	60%	60%	Riofisa, S.A.U.	Real estate
Nuevas Estaciones del Ferrocarril, S.A. Paseo de la Castellana, 52 28046 Madrid (Spain)	-	-	60%	60%	Riofisa, S.A.U.	Real estate
Riofisa Espacios Inmobiliarios, S.L.U. Paseo de la Castellana, 52 28046 Madrid (Spain)	-	-	100%	100%	Riofisa, S.A.U.	Real estate
Riofisa Internacional, S.L. Paseo de la Castellana, 52 28046 Madrid (Spain)	-	-	99.99% 0.01%	99.99% 0.01%	Riofisa, S.A.U. Riofisa Desarrollos Internacionales, SL	Real estate
Riofisa Sema, S.L. Paseo de la Castellana, 52 28046 Madrid (Spain)	-	-	100%	100%	Riofisa Internacional, S.L.	Real estate
Riofisa Desarrollos Internacionales, S.L. Paseo de la Castellana, 52 28046 Madrid (Spain)	-	-	- 100%	- 100%	Riofisa Sema, S.L. Riofisa Internacional, S.L.	Real estate
Riofisa Real Estate, S.R.L. Sector 1, World Trade Centre Bucharest, Piata Montreal, Nr 10 Bucharest (Romania)	-	-	100%	100%	Riofisa Internacional, S.L.	Real estate
Riofisa Bulgaria Eood "Sredets" region, 2a Saborna Str. Floor 3 Sofia (Bulgaria)	-	-	100%	100%	Riofisa Internacional, SL	Real estate
Riofisa Developments Eood "Sredets" region, 2a Saborna Str. Floor 3. Sofia (Bulgaria)	-	-	100%	100%	Riofisa Internacional, SL	Real estate
Parque Aqua Mágica, S.L. C/ General Riera 3 07003 Palma de Mallorca (Spain)	-	-	69.97%	69.97%	Riofisa, S.A.U. / Asentia Project S.L.U.	Real estate
Riofisa Dehesa, S.L. Paseo de la Castellana, 52 28046 Madrid (Spain)	-	-	69.30%	69.30%	Riofisa, S.A.U.	Real estate

	% shareholding					
	Direct		Indirect		Shareholder	Line of business
	31.12.12	30.06.13	31.12.12	30.06.13		
Riofisa Este, S.L. (formerly Riofisa Procam, S.L.) Paseo de la Castellana, 52 28046 Madrid (Spain)	-	-	100%	100%	Riofisa, S.A.U.	Real estate
SC Parchamps 40, rue Washington 75008 Paris (France)	-	-	50%	50%	SAS Parholding	Real estate
SC Pargal 40, rue Washington 75008 Paris (France)	-	-	50%	50%	SAS Parholding	Real estate
SC Parhaus 40, rue Washington 75008 Paris (France)	-	-	50%	50%	SAS Parholding	Real estate
SC Parholding 40, rue Washington 75008 Paris (France)	-	-	50%	50%	SAS Parholding	Real estate

At 31 December 2012 and 30 June 2013, proportionately consolidated subsidiaries and related information are as follows:

	% shareholding					
	Direct		Indirect		Shareholder	Line of business
	31.12.12	30.06.13	31.12.12	30.06.13		
UTE La Dehesa (Vias y Construcciones, S.A.) Av. Luis de Morales, 32 41018 Seville (Spain)	-	-	50%	50%	Inmocaral Servicios, S.A.	Construction
Goldale Real Estate, S.R.L 24-26 Nordului Road, 5th Floor Room 2 Bucharest (Romania)	-	-	50%	50%	Riofisa Internacional, S.L.	Real estate
Masterange Imobiliare SRL 24-26 Nordului Road, 5th Floor Room 14, District 1 Bucharest (Romania)	-	-	50%	50%	Riofisa Internacional, S.L.	Real estate

At 31 December 2012 and 30 June 2013, the companies accounted for using the equity method and related information are as follows:

	% shareholding					
	Direct		Indirect		Shareholder	Line of business
	31.12.12	30.06.13	31.12.12	30.06.13		
SIIC de Paris, S.A. 24, Place Vendôme 75001 Paris (France)	-	-	29.63%	29.63%	SFL	Real estate

At 31 December 2012 and 30 June 2013, the Colonial Group companies were audited by Deloitte, S.L., with the exception of the SFL Group, which was audited jointly by Deloitte and PriceWaterhouseCoopers, and Necsa and Nefsa, which were audited by PriceWaterhouseCoopers.

APPENDIX II

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

The financial information for joint ventures at 30 June 2013 is as follows:

	Thousands of euros					
	% shareholding	Income and expenses	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Goldale Real Estate, S.R.L	50%	(340)	-	9,632	-	87
Masterange Imobiliare SRL	50%	(423)	-	7,084	-	35

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

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

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

Inmobiliaria Colonial, S.A. and subsidiaries

Consolidated Management Report
for the six-month period ended
30 June 2013

1. Business performance and Group situation

Macroeconomic environment

Global economy

The most recent economic figures indicate that activity is somewhat slower than expected in emerging countries, especially in China. In addition, the US Federal Reserve announced a stop date for its latest buyback program, in light of the ongoing improvements in the US employment market. Both factors have encouraged sales of emerging-market assets which, if sustained, could keep the most vulnerable economies from resuming faster growth.

With emerging economies losing steam, US first-quarter GDP slowed from 1.8% to 1.6% year-on-year. Although this was unexpected, it does not change the landscape of moderate recovery and only slightly affects GDP projections for 2013 as a whole (from 2.0% to 1.9%), reflecting base effects. Lower growth in GDP in the first quarter was mainly the result of decreased consumer spending, specifically on services, although this continues to be the main pull factor. Non-residential fixed investment, although also lower, should eventually be boosted by the improved financing conditions and continued strong company profits.

Eurozone

As per customary practice, European institutions were particularly active in June, with key meetings and summits filling the agenda. The results were also quite customary: minimal, fragmented and moderate agreements, yet in the right direction so that, little by little, a more robust economic and monetary union (EMU) can be forged. The most relevant agreement reached by the European Council relates to the banking union, one of the three pillars to support the new EMU. It has already been agreed that the ECB will supervise European banking as from next summer; it is now necessary to define the rules for intervening in distressed banks. In that regard, a liabilities ranking system has been established in the event a bail-in is necessary, clearly protecting retail deposits and mortgage securities. This will keep future banking crises from becoming as complex and confusing as in Cyprus last April. The European Union also approved the creation of national resolution funds with standardised guidelines, which, in ten years, should be large enough to cover at least 0.8% of insured deposits. These national funds are seen as an intermediate step towards the creation of a single resolution mechanism.

The pace of economic recovery is the same as that of institutional reforms: slow. As expected, the slowdown in business activity eased up in the last quarter (-0.2% in 1Q 2013 vs -0.6% in 4Q 2012, in quarter-on-quarter terms). However, the specific factors that curbed recovery and those that bolstered it came as somewhat of a surprise. The moderation of the downward trend was not a result of either exports or investment (both of which

decreased in line with 4Q 2012 figures; -0.8% and -1.6%, respectively). Nevertheless, neither exports or investment are expected to stagnate. Export forecasts, for example, rallied considerably in the second quarter, even returning to early 2012 levels.

Spain

After almost two continuous years of recession, activity indicators available to June suggest that the Spanish economy is stabilising. The advance GDP indicator published by "la Caixa" Research confirms this perception. Based on trends in several high frequency-indicators (including supply, demand and employment market factors), Spain's index puts second-quarter change in activity at between -0.2% and 0.2%, quarter on quarter. Given that this index does not directly take into account other factors that could affect economic growth, such as fiscal consolidation, we maintain our GDP growth forecast at the low end of this range (-0.2% quarter on quarter); however, the more moderate pace of decline appears to be assured. In fact, as from the second half of 2013, Spain should once again see positive growth figures. For this to be a reality, it is essential to shore up the pillars supporting long-term growth in the country's economy. In that regard, the IMF joined the European Commission in encouraging the Spanish government to deepen the reforms underway.

France

Household spending grew a surprising 0.1%, outdoing even the most optimistic forecasts. France saw slight growth, of 0.1% quarter on quarter. Activity indicators also point to gradual economic expansion. This time, France was at the top of the growth league, thereby moving closer to German indices. Nevertheless, the French index continues to lag behind the eurozone.

Market situation

Rental market

Barcelona

Total office space leased between April and June 2013 was 42,040 m². This was in line (and slightly above) recent figures, and specifically more in line with the average for 2010 and 2011 than for the past year. A total of 75 transactions were carried out (72 rentals and 3 sales).

The average vacancy rate in Barcelona was 13.8% overall, and 9.8% in the CBD (prime location). No new office buildings were placed on the market in the second quarter of 2013. Office stock in Barcelona remains stable, with the trend of converting centre-city office buildings into hotels or short-let apartments becoming more and more pronounced.

Rents for Passeig de Gràcia / Diagonal properties fell below the €18/m²/month threshold, to €17.75/m²/month.

Madrid

On the heels of an excellent first quarter, considerably less office space was leased in Madrid in the second quarter, only slightly above 55,000 m². Nevertheless, the forecast year-end figure is still higher than the area leased in the previous year.

The overall slump in demand is also reflected in the reduced number of transactions. Nevertheless, thanks to the aforementioned absorption in the first three months of 2013 and the major transactions that could occur before

the end of the year, the 2013 annual volume in m² will be closer to 2011 levels (above 300,000 m²) than the more modest 2012 figures.

Prospective tenants are increasingly taking longer to take rental decisions, and the average time for negotiations to be completed continues to rise.

As was to be expected, the low number of transactions contributed to the slight rise in the vacancy rate, to 11.82%. This figure is still rather moderate, as further vacancies will occur later in 2013 and in 2014, offsetting the reduction in vacancy seen in the first quarter.

The supply forecast for the near future remains steady compared to the previous months, with the only notable movement being in 2015, when tenants are expected to vacate several office buildings.

The major shortage of prime-quality rentals in the CBD kept maximum prices at €24.25/m²/month for the fourth quarter in a row. However, the foreseeable sluggishness of the market during the summer months and a somewhat weak fourth quarter could lead to a slight slowdown toward the end of the year.

Paris

Office lets in Paris totalled 832,874 m² in the first half of 2013, down 19% on the same period of the prior year. Cumulative lets in the CBD stood at 146,171 m² for the period.

The vacancy rate rose slightly in the Parisian market, with an immediately supply of 3,684,000 m² (vacancy rate of 6.9%; 5.2% in the CBD). Prime rental prices in the CBD are in line with the first quarter of 2013, at €760/m²/year, although owners were forced to offer more incentives for tenants, which is reflected in the rents.

Sources: June 2013 reports by Jones Lang Lasalle, Cushman & Wakefield, CBRE, Aguirre Newman and La Caixa.

Highlights

Introduction

Against the macroeconomic and industry backdrop described above, the highlights of the Group's results are as follows:

- Revenue totalled 106.6 million euros, and was generated by the Group's recurring business (property rentals). The company also earned 308.0 million euros on the disposal of assets.

- Operating profit before net valuation gains, depreciation and amortisation charges, provisions and interest was 86.9 million euros, including the share of profit of equity-accounted SIIC de Paris.

- According to the independent appraisals by CB Richard Ellis, Jones Lang Lasalle and Atis Real at year-end, the Group's investment property revalued by 34 million euros in the period. This revaluation, recorded in both France (81.6 million euros) and Spain (-47.6 million euros) reflects a 1.1% increase in value in like-for-like terms of rental assets in operation with respect to December 2012 (-3.3% in Spain and 3.0% in France).

- The Group capitalised 5.6 million euros of borrowing costs related to developments in progress.

- Net finance expense was 115.1 million euros.

- In addition, valuation adjustments were recognised as a result of the non-core assets disposal plan established within the framework of the Group's debt restructuring agreement, largely affecting its equity investments in Asentia Project, FCC and Riofisa. These amounted to 256.8 million euros and are recognised under "Loss from discontinued operations".

- After subtracting profit attributable to non-controlling interests (43.0 million euros), loss after tax attributable to equity holders of the Parent Company amounted to 308.0 million euros.

- The appraisal of assets in the first half of 2013 stood at 6,273 million euros, of which 5,343 thousand euros related to the Group's recurring business, the rental business, including SFL's 29.63% equity interest in SIIC de Paris. The appraisal of the rental properties implies a 2.2% gain in the total value of these assets on a like-for-like basis compared to December 2012. The remaining 930 million euros corresponds to the Group's residential and commercial premises business, classified as a discontinued operation, implying an 18.0% decline in value on December 2012 in like-for-like terms.

Highlights by business area are as follows:

Rental business

- Rental revenue amounted to 106.6 million euros, of which 74.6 million euros, or 70%, related to the contribution by the Group's French subsidiary, SFL, while the remaining 32 million euros was generated in Spain.

- The bulk of revenue came from office buildings (79%) and shopping centres (19%). By geographical area, the main sources of revenue were spread across the Colonial Group's three largest markets (Paris 70%, Madrid 16% and Barcelona 14%).

- At 30 June 2013, the Colonial Group had a portfolio of rental properties (currently rented and under development) of approximately 1.1 million m², excluding Riofisa, which has been reclassified as an asset held for sale. The bulk of the portfolio (81%) was leased at 30 June 2013. The overall occupancy rate stood at 85.6% at June 2013.

- The commercial effort undertaken by the Group in the first half of 2013 led to new lettings (additions and renewals) representing a leasable area of over 84,000 m² (68% in Spain and 32% in France).

- At 30 June 2013, the Colonial Group had a portfolio of rental properties under development consisting of six office buildings. This excludes Riofisa, which has been reclassified as an asset held for sale. In all, these properties encompass a surface area of approximately 104,000 m². Lettings on these properties will start between 2013 and 2018.

Residential business

- Revenue recognised on housing sales totalled €13.6 million in the first half of 2013. Land sales amounted to 6 million euros in the same period.

- Colonial forged ahead with its strategy of gradually lowering its exposure to the residential business, cutting the Group's stock of unsold homes substantially compared to the prior period. The Company currently has 49 finished units (vs. 182 at 30 June 2012). Of these, a pre-sale contact has been signed for one house. Sales of the remaining 48 are underway. Therefore, at 30 June 2013, the stock of housing pending delivery stood at 0.1 million euros, equivalent to one house.

- Commercial sales of homes and business premises in the first half of 2013 totalled 13.6 million euros.
- The land bank stood at 1.7 million m² at 30 June 2013. Fifty-three percent of this land is located in Andalusia and the remaining 47% between Madrid and the eastern part of the peninsula (Catalonia/Levante/Palma).

2. Outlook

Rental business

2013 is expected to be a year of transition for the Barcelona rental market, as it moves toward locking in net positive absorption, seeing the last of dropping prices. In Madrid, the next two quarters should reflect greater activity in leasing and a gradual stabilising of prices, as net absorption consolidates in positive figures.

In the French market, the current economic uncertainty continues to affect the office rental market. Demand is likely to remain weak. However, assets in prime locations and high-quality assets will continue to hold their own, due to the scarcity of major projects available in the CBD.

3. Risk management policies and objectives

See section D.1 of the 2012 Annual Corporate Governance Report.

4. 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.

5. Treasury shares

Inmobiliaria Colonial S.A. did not perform any transactions with treasury shares in the first half of 2013. At 30 June 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 Parent Company's share capital.

6. Events after the end of the reporting period

No significant events warranting disclosure have taken place since the close of the six-month period ended 30 June 2013.

7. 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" or the "Parent") 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 2012 Annual Corporate Governance Report.

b) Restrictions on the transfer of securities

See section 2 of the Appendix to the 2012 Annual Corporate Governance Report.

c) Significant direct and indirect shareholdings

The following table shows those shareholders which, according to notifications submitted to the CNMV, at 30 June 2013 directly or indirectly held a significant portion of the Company's share capital as defined in Royal Decree 1362 of 19 October 2007, which implemented Securities Market Act 24/1988 of 28 July, on information transparency requirements applicable to issuers whose securities are traded on official secondary markets or other regulated European Union markets:

	% of equity		
	Direct	Indirect	Total
	%	%	%
HM Treasury (1)	-	19.992%	19.992%
Commerzbank, A.G.(2)	-	14.932%	14.932%
Crédit Agricole, S.A. (3)	-	19.683%	19.683%
Coral Partners (Lux) S.A.R.L. (4)	14.733%	-	14.733%
Caja de Ahorros y Pensiones de Barcelona (5)	5.787%	-	5.787%
The Goldman Sachs Group, Inc. (6)	-	4.944%	4.944%
Banco Popular Español, S.A. (7)	4.669%	-	4.669%

(1) The Company was informed of this shareholding on 24 September 2010.
(2) The Company was informed of this shareholding on 11 June 2013.
(3) The Company was informed of this shareholding on 16 May 2012.
(4) The Company was informed of this shareholding on 10 May 2012.
(5) The Company was informed of this shareholding on 2 August 2011.
(6) The Company was informed of this shareholding on 9 June 2011.
(7) The Company was informed of this shareholding on 26 April 2012.

d) Limitations on voting rights

See section A.10 of the 2012 Annual Corporate Governance Report.

e) Agreements between shareholders

See section A.6 of the 2012 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 B.1.19 and B.1.20 of the 2012 Annual Corporate Governance Report.

Modification of the Parent's bylaws

See section 3 of the Appendix to the 2012 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 2012 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 4 of the Appendix to the 2012 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 sections B.1.13 and B.1.16 of the 2012 Annual Corporate Governance Report and section 5 of the accompanying Appendix.

7. 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 2012 forms part of this Consolidated Management Report.