Property Holdings

Madrid, 29 de abril de 2015

URO PROPERTY HOLDINGS, SOCIMI, S.A. (la "**Sociedad**"), en cumplimiento de lo previsto en la Circular 9/2010 del MAB sobre información a suministrar por empresas en expansión incorporadas a negociación en el Mercado Alternativo Bursátil, aplicable a las SOCIMIs incorporadas al correspondiente segmento del MAB de conformidad con lo dispuesto en la Circular 2/2013 del MAB sobre régimen aplicable a las Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario (SOCIMI) cuyos valores se incorporen al Mercado Alternativo Bursátil, a continuación hace pública la siguiente información financiera del ejercicio terminado el 31 de diciembre de 2014:

- Informe de auditoría independiente de cuentas anuales
- Cuentas anuales e informe de gestión

D. Carlos Martínez de Campos y Carulla
Presidente del Consejo de Administración

URO PROPERTY HOLDINGS SOCIMI, S.A.
(Formerly called Samos Servicios y Gestiones, S.L.)

Financial Statements and Directors' Report
for the financial year ended 31 December 2014

URO PROPERTY HOLDINGS SOCIMI, S.A.
(Formerly called Samos Servicios y Gestiones, S.L.)

Balance Sheet dated 31 December 2014 and 2013
(Expressed in euro)

ASSETS	NOTES	31.12.2014	31.12.2013
NON-CURRENT ASSETS		**1,626,961,043**	**1,701,696,347**
Investment Properties	**5**	**1,590,557,629**	**1,655,908,937**
Non-current investments in group and associated companies	**7,10,18**	**-**	**707,927**
Loans to companies		-	707,927
Non-current financial investments	**10**	**36,403,414**	**45,079,483**
Derivatives	**8**	24,234,923	30,869,585
Other financial assets		12,168,491	14,209,898
CURRENT ASSETS		**324,323,726**	**42,722,420**
Non-current assets held for sale	**9**	**279,586,367**	**-**
Trade and other receivables	**10**	**15,930,218**	**14,881,507**
Trade receivables		12,118,932	11,177,464
Group companies		90,306	-
Other receivables from public institutions	**14**	3,720,980	3,704,043
Current financial investments	**10**	**11,750,929**	**7,363,070**
Other financial assets		1,017,560	733,103
Derivatives	8	10,733,369	6,629,967
Current prepayments and accrued income		**-**	**24,659**
Cash and other cash equivalents	**11**	**17,056,212**	**20,453,184**
Cash		17,056,212	20,453,184
TOTAL ASSETS		**1,951,284,769**	**1,744,418,767**

The accompanying Notes 1 through 21 form an integral part of the financial statements.

URO PROPERTY HOLDINGS SOCIMI, S.A.
(Formerly called Samos Servicios y Gestiones, S.L.)

Balance Sheet dated 31 December 2014 and 2013
(Expressed in euro)

EQUITY AND LIABILITIES	NOTES	31.12.2014	31.12.2013
EQUITY		**231,828,169**	**(304,160,805)**
SHAREHOLDERS' EQUITY		**205,756,798**	**(287,116,201)**
Share Capital	**12**	**5,194,020**	**2,597,010**
Authorised capital		5,194,020	2,597,010
Share premium	**12**	**317,449,216**	**215,075,166**
Reserves	**12**	**3,579,356**	**3,579,356**
Other reserves		3,579,356	3,579,356
Prior year results		**(508,367,733)**	**(479,962,365)**
(Prior year losses)	12	(508,367,733)	(479,962,365)
Profit/(Loss) for the year		**387,901,939**	**(28,405,368)**
MEASUREMENT ADJUSTMENTS		**26,071,371**	**(17,044,604)**
Hedging operations	**12**	26,071,371	(17,044,604)
NON-CURRENT LIABILITIES		**1,357,023,212**	**92,743,336**
Non-current borrowings	**13**	**1,199,523,212**	**92,743,336**
Bank borrowings		1,125,852,001	-
Derivatives	8	59,463,265	75,998,614
Other financial liabilities		14,207,946	16,744,722
Non-current payables to Group companies and associates	**18**	**157,500,000**	**-**
CURRENT LIABILITIES		**362,433,388**	**1,955,836,236**
Liabilities related to non-current assets held for sale	**9**	**274,292,341**	**-**
Current borrowings		**75,304,732**	**1,944,429,201**
Bank borrowings	13	47,071,946	1,887,512,666
Derivatives	8	28,232,786	56,916,535
Trade and other payables	**13**	**2,126,892**	**623,193**
Sundry payables		2,032,380	522,177
Other payables to Public Institutions	**14**	94,512	101,016
Accruals and deferred income	**16**	**10,709,423**	**10,783,842**
TOTAL EQUITY AND LIABILITIES		**1,951,284,769**	**1,744,418,767**

The accompanying Notes 1 through 21 form an integral part of the financial statements.

URO PROPERTY HOLDINGS SOCIMI, S.A.
(Formerly called Samos Servicios y Gestiones, S.L.)

Income statement for financial years ended 31 December 2014 and 2013
(Expressed in euro)

CONTINUING OPERATIONS	NOTES	2014	2013
Net revenues	**5 and 15.1**	**115,150,010**	**114,299,427**
Services rendered		115,150,010	114,299,427
Other operating income		**1,163**	**-**
Sundry and other income		1,163	-
Personnel expenses		**(92,117)**	**(41,194)**
Wages, salaries and similar remuneration		(80,572)	(35,000)
Employee benefit expenses	15.2	(11,545)	(6,194)
Other operating expenses	**15.3**	**(19,132,740)**	**(9,584,562)**
External services		(14,878,935)	(6,942,139)
Taxes		(2,525,441)	(2,642,423)
Losses, impairment and changes in provisions for commercial transactions		(1,728,364)	**-**
Fixed asset amortisation/depreciation	**5**	**(20,025,502)**	**(18,205,535)**
Impairment and profit/(loss) on disposals of assets and investment properties		**183,312,863**	**(15,474,272)**
Impairment and losses	**5**	183,312,863	(16,034,883)
Results on disposals and other items		-	560,611
OPERATING PROFIT/(LOSS)		**259,213,677**	**70,993,864**
Financial income	**15.4**	**198,128,014**	**42,943**
From third parties		3,125,036	39,707
From group companies		195,002,978	3,236
Financial expenses	**15.5**	**(102,526,510)**	**(94,334,548)**
Payables to group and associated companies		(7,500,000)	-
Payables to third parties		(95,026,510)	(94,334,548)
Change in the fair value of financial instruments	**15.6**	**(10,929,275)**	**3,032,340**
Trading portfolio and others		(10,929,275)	3,032,340
FINANCIAL INCOME/(EXPENSE)		**84,672,229**	**(91,259,265)**
PROFIT/(LOSS) BEFORE INCOME TAX		**343,885,906**	**(20,265,401)**
Income tax	**14**	**-**	**(402,777)**
PROFIT/(LOSS) FOR YEAR FROM CONTINUING OPERATIONS		**343,885,906**	**(20,668,178)**
Profit/(Loss) for year from discontinued operations	**9**	**44,016,033**	**(7,737,190)**
PROFIT/(LOSS) FOR THE YEAR		**387,901,939**	**(28,405,368)**

The accompanying Notes 1 through 21 form an integral part of the financial statements.

URO PROPERTY HOLDINGS SOCIMI, S.A.
(Formerly called Samos Servicios y Gestiones, S.L.)

Statement of stockholder's equity for financial years ended 31 December 2014 and 2013
(Expressed in euro)

A) Statement of recognised income and expenses relating to financial years ended 31 December 2014 and 2013

	Notes	2014	2013
Profit/(Loss) for the year		387,901,939	(28,405,368)
Income and expense directly attributed to equity			
I. For cash flow hedges	11.2	(5,895,264)	17,610,978
II. Tax effect	11.2	-	(28,036,551)
Total income and expense directly attributed to equity		(5,895,264)	(10,425,573)
Amounts transferred to the income statement			
VII. Cash flow hedges		49,011,239	58,799,587
IX. Tax effect		-	-
Total transfers to the income statement		49,011,239	58,799,587
TOTAL RECOGNISED INCOME AND EXPENSE		431,017,914	19,968,646

The accompanying Notes 1 through 21 form an integral part of the financial statements.

URO PROPERTY HOLDINGS SOCIMI, S.A.
(Formerly called Samos Servicios y Gestiones, S.L.)

Statement of changes to equity for financial years ended 31 December 2014 and 2013
(Expressed in euro)

B) Statement of total changes in equity for financial years ended 31 December 2014 and 2013

	Share capital (Note 12.1)	Share premium (Note 12.1)	Reserves (Note 12.1)	Profit and loss account brought forward (Note 12.1)	Profit/(Loss) for the year	Measurement adjustments (Note 12.2)	Total equity
ENDING BALANCE FOR 2012	**2,597,010**	**215,075,166**	**3,579,356**	**(249,682,906)**	**(118,719,097)**	**(65,418,619)**	**(212,569,090)**
Error adjustments for 2012 and previous years	-	-	-	(85,220,758)	(26,339,604)	-	(111,560,362)
BEGINNING BALANCE FOR 2013	**2,597,010**	**215,075,166**	**3,579,356**	**(334,903,664)**	**(145,058,701)**	**(65,418,619)**	**(324,129,452)**
Total recognised income and expenses	-	-	-	-	(28,405,368)	48,374,015	**19,968,647**
Operations with shareholders or owners	-	-	-	-	-	-	**-**
Other changes in equity	-	-	-	(145,058,701)	145,058,701	-	**-**
ENDING BALANCE FOR 2013	**2,597,010**	**215,075,166**	**3,579,356**	**(479,962,365)**	**(28,405,368)**	**(17,044,604)**	**(304,160,805)**
OPENING BALANCE FOR 2014	**2,597,010**	**215,075,166**	**3,579,356**	**(479,962,365)**	**(28,405,368)**	**(17,044,604)**	**(304,160,805)**
Total recognised income and expenses	**-**	**-**	**-**	**-**	**387,901,939**	**43,115,975**	**431,017,914**
Transactions with shareholders or owners	**2,597,010**	**252,374,050**	**-**	**-**	**-**	**-**	**254,971,060**
Other changes in equity	**-**	**(150,000,000)**	**-**	**(28,405,368)**	**28,405,368**	**-**	**(150,000,000)**
ENDING BALANCE FOR 2014	**5,194,020**	**317,449,216**	**3,579,356**	**(508,367,733)**	**387,901,939**	**26,071,371**	**231,828,169**

The accompanying Notes 1 through 21 form an integral part of the financial statements.

URO PROPERTY HOLDINGS SOCIMI, S.A.
(Formerly called Samos Servicios y Gestiones, S.L.)

CASH FLOW statement for financial years ended 31 December 2014 and 2013
(Expressed in euro)

	Notes	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit/(Loss) before taxes		**387,901,938**	**(28,002,591)**
2. Adjustments to results		**(270,402,658)**	**152,323,669**
a) Asset depreciation/amortisation	5.1	23,842,506	21,766,311
b) Impairment of investment properties	5.1	(229,746,398)	25,825,377
d) Change in provisions		1,728,364	-
e) Profits/losses on disposal of fixed assets		-	(560,611)
f) Financial income	15.5	(198,821,197)	(45,300)
g) Financial expense	15.6	119,070,559	109,028,578
h) Changes in fair value of financial instruments	15.6	13,523,508	(3,690,687)
3. Changes in working capital		**363,198**	**(956,103)**
a) Inventories		-	237,022
b) Trade and other receivables		(1,048,711)	(147,683)
c) Other current assets and liabilities		(49,761)	(119,830)
d) Trade and other payables		1,503,699	(1,242,533)
e) Other non-current assets and liabilities		(42,029)	316,922
4. Other cash flows from operating activities		**(88,478,394)**	**(88,726,535)**
a) Interest payments		(92,004,688)	(85,084,860)
c) Collection of interest		3,526,294	48,436
d) Corporate income tax paid/refunded		-	(3,690,211)
CASH FLOWS FROM OPERATING ACTIVITIES		**29,384,084**	**34,638,441**
CASH FLOWS FROM INVESTING ACTIVITIES			
6. Amounts paid on investments		**(1,002,966)**	**(147,267)**
a) Group companies and associates		(1,002,966)	(147,267)
7. Amounts collected from divestments		**-**	**3,362,981**
a) Investment properties		-	3,362,981
CASH FLOWS FROM INVESTING ACTIVITIES		**(1,002,966)**	**3,215,714**
CASH FLOWS FROM FINANCING ACTIVITIES			
10. Payments made and received for financial liability instruments		**(31,778,090)**	**(40,047,435)**
b) Return and repayment of:		(31,778,090)	(40,047,435)
Bank borrowings		(31,778,090)	(40,047,435)
CASH FLOWS FROM FINANCING ACTIVITIES		**(31,778,090)**	**(40,047,435)**
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS		**(3,396,972)**	**(2,193,280)**
Cash and cash equivalents at start of the year		20,453,184	22,646,464
Cash and cash equivalents at end of the year		17,056,212	20,453,184
Net change		(3,396,972)	2,193,280

The accompanying Notes 1 through 21 form an integral part of the financial statements.

1. COMPANY ACTIVITIES

Uro Property Holdings SOCIMI, S.A. (formerly "Samos Servicios y Gestiones, S.L.) (hereinafter "the Company") was incorporated on 2 October 2007 and has been registered as a public limited liability company with the Madrid Mercantile Registry in volume 24783, sheet 216, section 1, page M-446073.

On 23 November 2007 the Company purchased from Banco Santander, S.A. (hereinafter "Banco Santander") 1,152 customer service offices located in Spain for € 2,040 million (plus costs totalling € 44 million directly attributable to this transaction), to subsequently lease the offices to that bank for an average term of 25 years, with three potential extensions of seven years each. After the sale of 10, 4 and 2 offices to individual investors in 2011, 2012 and 2013, respectively, the investment properties held by the Company consist of 1,136 Banco Santander offices.

In 2014 the ultimate parent company of Sant Topco I Group (domiciled in Luxembourg) sold all of the shares and the new shareholders at 31 December 2014 are Ziloti Holding S.a.r.l., domiciled in Luxembourg (85%) and Banco Santander, S.A., domiciled in Spain (15%).

The Company's domicile is established at Calle Serrano 21 (Madrid).

On 27 October 2014, the Company changed its name from "Samos Servicios y Gestiones, S.L., Sociedad Unipersonal" to its current name. On 23 December 2014, it became a Limited Company.

The Company is included in the system regulated by Law 11/2009 (26 October), which governs Listed Real Estate Market Investment Companies on the Real Estate Market – *Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario* – ("SOCIMI"), by decision of its Single Partner on 24 September 2013 and effective as from 1 January 2013.

The Company's corporate purpose is:

- The acquisition and development of urban properties for lease. The development activity includes rehabilitation of buildings under the terms established by Law 37/1992, of 28 December, on Value Added Tax.
- Possession of shares in SOCIMIs or in other entities not residing in Spain that have the same corporate purpose and which are subject to a similar system to that established for SOCIMI companies as regards the mandatory, legal or statutory policy of distributing profits and that comply with the investment requirements established for the latter.
- The possession of shares in Real Estate Collective Investment institutions regulated by Law 35/2003, of 4 November, on Collective Investment Institutions.

In March 2015, the Company was launched on the Alternative Investment Market, complying with all requirements mentioned in articles 4 and 5 of Law 11/2009, of 26 October, regulating Public Investment Companies Listed on the Real Estate Market ("SOCIMI").

An associated company specialised in managing real estate assets undertakes part of the management (Note 18).

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Fair presentation

The financial information has been prepared on the basis of the Company's accounting records and are presented in accordance with prevailing commercial legislation and the provisions of the Chart of Accounts approved by Royal Decree 1514/2007 (16 November), which has been amended by Royal Decree 1159/2010 (17 September), so as to present fairly the Company's equity, financial situation and results and present accurately cash flow in the cash flow statement.

2.2 Key aspects on the measurement and estimation of uncertainty

When preparing the Company's financial statements, the Directors have made estimates that are based on past experience and other factors that are considered to be reasonable in accordance with current circumstances which constitute the basis on which the carrying value of assets and liabilities may be established, as these values are not easily calculated using other sources. The Company reviews its estimates on an ongoing basis. However, given the uncertainty inherent to these estimates, there is a significant risk that significant adjustments could arise in the future regarding the value of the associated assets and liabilities and significant changes in the assumptions, events and circumstances on which they are based.

Key future issues, as well as other information relating to the estimation of uncertainty at the year-end, which are associated with a notable risk of significant changes in the value of assets or liabilities next year are as follows:

Fair values of Real Estate Investments

The best evidence of the fair value of real estate investments in an active market are the prices for similar assets. Given the current market situation and in the absence of such information, the Company determines fair value through a range of fair values. When implementing this judgment, the Company uses a series of sources, including:

i. Current prices in an active market for properties of a different nature, condition or location, adjusted to reflect the differences with the assets owned by the Company.

ii. Recent property prices in other less active markets, adjusted to reflect changes in financial situations since the transaction date.

iii. Cash flow discounts based on estimates deriving from current and projected lease agreement conditions and, if possible, on estimates to market prices for similar properties in the same location and address, using the discount rates that reflect the time factor uncertainty.

In this respect, on an annual basis the Company engages the services of an independent appraiser to value its assets on an individual basis.

The result of this valuation is an overall value of the branch office portfolio totalling € 2,093,000,000 (at 31 December 2013: € 1,692,140,000) although individually there has been a reversal of the net impairment for each of the real estate investments which totals € 229,746,398 (consisting of an impairment totalling € 20,569,125 and a reversal of impairment totalling € 250,315,523 relating to prior year impairment). At 31 December 2013 net impairment totalled € 25,825,377 (consisting of impairment totalling € 53,368,540 and reversal totalling € 27,543,163).

The valuer has valued each bank branch individually based on the "all risks yield" method. This method consists of calculating perpetual income, dividing real income by yield. This annual return to the investor is called property yield and is represented by the annual return percentage received by the investor for the amount paid for the property. Potential buyers identify all risks perceived such as lack of liquidity or risk of non-payment by the lessee and incorporate it in the initial yield and resulting property price.

Considering the duration and evolution of the lease agreement with Banco Santander, the valuer applied a reduction of 50 basis points to the yield for each property, due to the high future creditworthiness of the agreement and the lessee. The valuer also increased or reduced the expected yield based on different general and specific locations of properties, number of inhabitants in such locations and quality of the surrounding environment.

Useful lives of investment properties

The Company's management determines estimated useful lives and related depreciation charges for its investment properties. The useful lives of investment properties are estimated in accordance with the period over which the assets concerned will generate profits. At each closing the Company reviews the useful lives of investment properties and if the estimates differ from those made previously the effect of the change is recorded on a prospective basis as from the year in which the change is made.

Fair value of derivatives or other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses judgments to select a variety of methods and to develop assumptions that are primarily based on the market conditions existing at each balance sheet date. The Company has used discounted cash flow analysis for several financial assets available for sale that are not traded on active markets.

2.3 Going concern

At 31 December 2014, the Company has a positive net equity of € 231,828,169, correcting the situation existing on 31 December 2013, where the Company showed a negative equity of € 304,160,805.

This improvement in equity was a result of the capitalisation of the mezzanine loan (Note 12.1) following an increase in equity capital to 5,194,020 Euros and a share premium of 317,449,216 Euros.

On the other hand, on 31 July 2014, the Company completed the process to refinance the senior debt by concluding a novation of the senior loan financing agreement totalling 1,424,488,125 Euros (Note 13), which resulted in a reclassification of the non-current asset of 1,125,852,001 Euros. The sum corresponding to depreciation to be made during the following 12 months was maintained, as stipulated in the new terms of the loan for the sum of 38,144,612 Euros and to the estimated depreciation amount required in the event the Company sells the portfolio that is held for sale in sum of 252,713,482 Euros (Note 9). As explained in note 13 of these explanatory notes, said refinancing implied an extension to the loan's expiry date to November 2019. According to the refinancing agreement, the amount loaned is to be fully repaid upon expiry of the agreement. Notwithstanding this the Company is obliged to apply all free cashflow (rents received less operating expenses) annually to pay down debt. Therefore, the Company Directors have made their best estimate of the amortization that they expect can be paid in the following 12 months. The new terms of the loan and financial obligations included therein are contained in note 4.

The Company shows negative working capital of 38,109,662 Euros on 31 December 2014. Said negative working capital might indicate uncertainty with regard to the continuity of Company operations, although it is mitigated by the fact that cash flows obtained from the activity cover current payment obligations, according to the estimated cash budget. According to clause 8.3 of the new loan agreement signed on 31 July 2014, the Company is under the obligation to pay down debt with the cash remaining after the payment of interest.

The Company also complied with all requirements mentioned in articles 4 and 5 of law of Law 11/2009, of 26 October, ruling Public Investment Companies Listed on the Real Estate Market ("SOCIMI"), which results in it being listed on the Alternative Investment Market.

Directors prepared the financial statements on 31 December 2014 based on the facts described above, on a going concern basis.

2.4 Grouping of items

For the purposes of facilitating the understanding of the balance sheet, the income statement, the statement of changes in equity and the cash flow statement, these financial statements are presented in a group format and all necessary analysis is set out in the notes to the financial statements.

2.5 Comparability

In accordance with Spanish commercial law and for comparative purposes only, 2013 financial year and previous year figures are presented with each balance sheet item, profit and loss account, statement of changes in equity and cash flow statement. The report also includes quantitative information from the previous year, except when an accounting standard specifically establishes that it is not necessary.

The figures included in these 2014 financial statements contain restated balances already prepared by Directors for 2013, which is the best way of showing a true picture of the Company and reclassifying income and expenses for 2013 registered as discontinued due to the fact that they were maintained for the sale of one of the portfolios (note 9).

<u>2013:</u>

<u>Cancellation of capitalised tax assets:</u>

A disclaimer was included in the 2012 financial year audit report, where it was concluded that deferred tax assets of 111,561 thousand Euros were not recoverable. However, the Company registered a tax loss of 91,561 thousand Euros in 2013 and 20,000 thousand Euros in deferred tax assets on 31 December 2013.

Directors decided to restate accounting information from the 2013 financial year in these financial statements, considering that the impairment of 111,561 thousand Euros occurred during 2012, thereby offsetting the impairment registered in 2013 by the 91,561 Euro and eliminating the asset balance for deferred tax on 31 December 2013.

	Euros	
	31/12/2013	
	Debits	Credits
Reserves	111,561,362	
Deferred tax assets		(20,000,000)
Corporate income tax expense		(91,561,362)

2.6 Re-preparation of the annual accounts

As a result of the sale of the “Yellow” portfolio offices carried out on 23 April 2015, the Board of Directors agreed to prepare the Annual Accounts for 31 December 2014 again in order to include the information on the sale in Note 21 to the Annual Accounts. Apart from this information, the Annual Accounts have not changed from when they were prepared by the Board of Directors at their meeting on 31 March 2015, maintaining the proposed application of results agreed in this Board meeting.

3. ACCOUNTING AND MEASUREMENT STANDARDS

The following main recognition and measurement criteria are used by the Company to prepare these financial statements:

3.1 Investment properties

Branches leased to Banco Santander are classified as Investment Properties.

Investment properties are initially measured at acquisition cost. The direct costs attributable to the acquisition of the assets are included as an increase in the value of the leased asset and are recognised as an expense over the useful life of the asset concerned.

After initial recognition, investment properties are measured at cost, less accumulated depreciation and, if appropriate, the accumulated amount of recognised impairment losses.

Expenses relating to repairs and maintenance that do not extend the useful lives of assets are taken directly to the profit and loss account for the year. The costs of expansion or improvement that give rise to an increase in production capacity or an extension of the useful lives of the assets are added as an increase in the value of the asset concerned.

Investment properties are depreciated on a straight-line basis over the estimated useful lives of the assets concerned at the following rates:

	Years
Rental property	25 – 80

At the end of the year the Company reviews the residual values, useful lives and depreciation methods applied to investment properties and, if necessary, adjustments are applied on a prospective basis.

3.2 Impairment of non-financial assets

At least at the year-end, the Company's Directors determine whether or not there is any indication of investment properties having become impaired.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount, understood as the asset's fair value less the higher of selling costs and value in use. Value-in-use is the present value of expected future cash flows using risk-free market interest rates adjusted for the specific risks associated with the asset.

Impairment adjustments, as well as their reversal, are recognized in the income statement. Impairment adjustments are reversed when the circumstances that led to them being recognise cease to exist. The reversal of impairment is limited by the carrying value of the asset that would have been recorded if the relevant impairment had not been previously recognised.

3.3 Leases

Leases are classified as finance leases when the applicable financial conditions determine that substantially all risks and benefits inherent to the ownership of the asset covered by the contract are transferred to the lessee. Otherwise the contracts are classified as operating leases.

Company as the lessor

On 23 November 2007, the Company concluded a lease agreement with Banco Santander covering the 1,152 offices it owns. This lease is classified as an operating lease and the leased assets are recognised under the heading "investment properties" in accordance with their nature.

The revenues deriving from the operating leases are recognised in the income statement when accrued, i.e. on a straight-line basis over the term of the lease.

Company as the lessee

Payments for the lease of offices at Eduardo Dato, 18, and, subsequently, those at calle Serrano, 21, both located in Madrid and leased by the Company, are classified as operating leases, as the lessor retains the risks and benefits derived from their ownership. Payments for operating leases (net of any incentive received from the lessor) are attributed to the profit and loss account of the financial year in which they accrue in a straight line basis during the lease period.

3.4 Financial assets

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed in an active market. They are included in current assets, except for maturities over 12 months as of the date of the balance sheet that are classified non-current assets. Loans and accounts receivable are included in "Trade and other receivables" on the balance sheet.

Financial assets are initially carried at fair value, including directly attributable transaction costs, and are subsequently measured at amortized cost. Accrued interest is recognized at the effective interest rate, which is the discount rate that brings the instrument’s carrying amount into line with all estimated cash flows to maturity. Trade receivables falling due in less than one year are carried at their face value at both initial recognition and subsequent measurement, provided that the effect of not discounting flows is not significant.

At the year-end, at least, the necessary value adjustments are made to account for impairment when there is objective evidence that all receivables will not be collected.

The amount of the impairment loss is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate prevailing at the date of initial recognition. Measurement adjustments, and reversals, where applicable, will be recognized in the income statement.

b) Security deposits

The Company has received a security deposit for the lease equal to two months' rent. In accordance with current legislation, these security deposits are deposited with the relevant government institution and the Company must deposit 90% of the security deposit obtained from the lessee at certain official institutions. The security deposits received from the lessee are classified as non-current liabilities in the accompanying balance sheet and the amounts deposited at the official institutions are recognised under non-current assets in the balance sheet. The difference between the fair value and the amount of the security deposits for operating leases is not significant for the purposes of preparing these financial statements and therefore, the security deposits are not restated.

c) Financial assets held for trading

Financial assets at fair value through profit or loss are considered to be all those assets held for trading that are acquired with the intention of being sold in the short-term or which form part of an identified securities portfolio that is jointly managed to obtain short-term profits, as well as financial assets designated by the Company at initial recognition to be included under this category as it provides more relevant information. This category also includes derivative instruments that have not been designated as hedging instruments. (Note 3.6)

These financial assets are measured, both initially and subsequently, at fair value and any changes affecting this value are taken to the income statement for the year. Directly attributable transaction costs are recognized in the income statement for the year.

3.5 Financial liabilities

a) Borrowings and payables

This category includes borrowings originating from the acquisition of assets and services during the Company's course of business and non-trade payables. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months as from the balance sheet date.

These payables are initially recognised in the balance sheet at fair value which, in the absence of any other evidence, will be the transaction price which equals the fair value of the consideration received plus the directly attributable transaction costs.

After initial recognition, these financial liabilities are stated at their amortized cost using the effective interest rate method. Accrued interest is recorded in the income statement through the application of the effective interest rate method. The effective interest rate is the discount rate that brings the instrument's carrying amount into line with the expected future flow of payments to the maturity date.

Notwithstanding the above, borrowings for commercial operations maturing within one year, and which do not have a contractual interest rate, which is expected to be paid in the short-term, are measured at their nominal value provided that the effect of not restating flows is not significant.

Should any existing liabilities be renegotiated, no substantial modification to financial liabilities is deemed to exist when the new lender is the same party that granted the initial loan and the present value of cash flows, including net commissions, does not differ by more than 10% of the present value of the cash flows pending payment with respect to the original liability calculated using the same method.

b) Financial liabilities held for trading and other financial liabilities at fair value through changes in profit or loss

Financial liabilities at fair value through profit or loss are considered to be all those liabilities held for trading that are issued with the intention of being required in the short-term or which form part of an identified securities portfolio that is jointly managed to obtain short-term profits, as well as financial liabilities designated by the Company at initial recognition to be included under this category as it provides more relevant information. Derivatives are also classified as held for trading provided that they do not consist of a financial guarantee and have not been designated as hedging instruments. (Note 3.6)

These financial liabilities are measured, both initially and subsequently, at fair value and any changes affecting this value are taken to the income statement for the year. Costs that are directly attributable to the issue are recognized in the income statement for the year.

c) *Elimination*

The Company eliminates a financial liability when the obligation has been extinguished.

When there is an exchange of debt instruments, provided that they have substantially different conditions, the original financial liability is eliminated and the new financial liability is recognized. Similarly, any substantial modification to the current conditions affecting a financial liability is recognized.

The difference between the book value of the financial liability, or a portion thereof, which has been eliminated and consideration paid, including the attributable transaction costs and under which any assigned asset that is different from the assumed asset or liability is recorded, is recognized in the income statement in the year in which this occurs.

When there is an exchange of debt instruments that do not have substantially different conditions, the original financial liability is not eliminated from the balance sheet and the amount of the commissions paid will be recorded as an adjustment to the book value. The new amortised cost of the financial liability is calculated by applying the effective interest rate, which makes the book value of the financial liability at the modification date equal to the cash flows payable in accordance with the new conditions.

3.6 Financial derivatives and hedge accounting

Financial derivatives are measured, both initially and subsequently, at fair value. The method for recognizing the resulting gain or loss depends on whether the derivative has been designated to be a hedge instrument or not, and, if appropriate, the type of hedge. The Company designates certain derivatives as:

Financial derivatives are measured, both initially and subsequently, at fair value. The method for recognizing the resulting gain or loss depends on whether the derivative has been designated to be a hedge instrument or not, and, if appropriate, the type of hedge. The Company designates certain derivatives as:

Cash flow hedging: The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized temporarily in equity. It is taken to the income statement in the years in which the projected hedge transaction affects profit and loss, unless the hedge relates to a planned transaction that ends in the recognition of a non-financial asset or liability, in which case the amounts recorded under equity are included in the cost of the asset when acquired or the liability when it is assumed.

Only those transactions that effectively eliminate a risk inherent to the hedged items or position over the entire life of the hedge are designated as hedges, which means that as from the time the hedge is contracted it is expected to be highly efficient on a prospective basis and there is sufficient evidence that the hedge has been effective over the life of the hedged item or position (retroactive efficiency).

In the case of derivatives that do not qualify for hedge accounting, gains or losses in their fair value are immediately recognized in the income statement.

This category records the derivatives obtained to hedge fluctuations in interest rates applied to bank borrowings and changes in the inflation rate.

The Company hedges cash flows for variable rate loans received (Note 8) and cash flow hedges for changes in the consumer price index that will be applied to the operating lease for the Banco Santander offices (Note 8).

3.7 Non-current assets held for sale and discontinued operations

a.) Non-current assets held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

b.) Discontinued operations

Any component that has been sold, it is provisioned by other means or it is classified as held for sale is classified as a discontinued operation. The income statements from discontinued operations are presented on a single specific line in net of corporation tax.

3.8 Cash and other cash equivalents

This heading includes petty cash bank accounts and deposits and assets acquired under repurchase agreements that meet all of the following requirements:

- They are convertible into cash.
- At the time of acquisition the maturity date does not exceed three months.
- They are not subject to any significant risk of any change in value.
- They form part of the Company's normal cash management policy.

For the purposes of the cash flow statement, occasional overdrafts that form part of the Company's cash management are included as a reduction of cash and cash equivalents.

3.9 Equity

Share capital consists of ordinary shares.

The cost of issuing new shares or options is charged directly against equity, as a reduction in reserves.

3.10 Provisions and contingent liabilities

Provisions are recognised in the balance sheet when the Company has a present obligation (either from a legal or contractual provision or an implicit or tacit obligation) deriving from past events, and it is likely that a quantifiable outflow of resources will take place to settle the obligation.

Provisions are stated at the present value of the best possible estimate of the amount necessary to cancel or transfer the obligation to a third party and recognising those adjustments that arise from the restatement of those provisions as a financial expense as they accrue. When involving provisions that fall due in one year or less, and the financial effect is not significant, no discount is necessary. The provisions are reviewed at each balance sheet closing date and are adjusted with the objective to reflect the best current estimate of the liability concerned at any given moment.

Contingent liability liabilities are considered to be those possible obligations arising as a result of past events, the materialisation of which is subject to the condition that future events take place that are not entirely under the Company's control, and those present obligations arising as a result of past events that are not likely to give rise to an outflow of resources at settlement or which cannot be evaluated with sufficiently reliable. These liabilities are not recorded in the accounts but are detailed in the notes to the accounts, except when the outflow of resources is considered to be remote.

3.11 Current and deferred taxes

Corporate income tax expense and revenue consists of the expense or revenue deriving from current taxes and a portion of deferred tax expense or revenue. Current tax is the amount that the Company pays as a result of the tax returns it files each for corporate income tax purposes. Deductions and other tax benefits applicable to tax payable, excluding withholdings and interim payments, and tax-loss carry forwards applied in the current year, result in a reduction in current tax.

Deferred tax expense and revenue relates to the recognition and cancellation of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carry forwards. These amounts are recorded by applying the timing difference or credit relating to the tax rate at which they are expected to be recovered or settled.

Deferred tax liabilities for all taxable timing differences are recognized, except those deriving from initial recognition of goodwill or other assets and liabilities in a transaction that does not affect taxable or book results and is not a business combination.

Deferred tax assets are recognised to the extent that it is considered probable that the Company will have taxable profits in the future against which the deferred tax assets can be utilised.

The Company is included in the SOCIMI system by virtue of the notification given by the Single Shareholder on 23 September 20133 and effective 1 January 2013, to the State Tax Agency with jurisdiction over its domicile of its decision to apply that system.

By virtue of Law 11/2009 (26 October), which regulates Listed Real Estate Market Investment Companies, those entities that choose to apply the special tax system established by that Law are subject to 0% corporate income tax. In the event that tax-loss carry forwards are generated, Article 25 of the Corporate Income Tax Act, approved by Legislative Royal Decree 4/2004 (5 March) will not be applicable. Accordingly, the deduction and credit system established by Chapters II, III and IV of that Law will not be applicable. All matters not covered by Law 11/2009 will be subject to the provisions of the Corporate Income Tax Act on a supplementary basis.

The company will be subject to a 19% special tax on the full amount of the dividends or shares in profits distributed to shareholders whose stake in the company's share capital is equal to or exceeds 5%, when those dividends are subject to a tax rate of less than 10% at the individual shareholder level. This tax will be considered to be Corporate Income Tax.

The application of the SOCIMI system described above will take place in 2013, notwithstanding the fact that during the year the Company does not meet all of the requirements established by law for its application since Transitional Provision One of Law 11/2009 on the SOCIMI system stipulates a two-year period after choosing to apply the system in order to comply with all of the requirements established by that law.

3.12 Revenues and recognition

Income and expense are recorded in the income statement on an accruals basis, i.e. in the period in which the income or expense deriving from the goods or services in question is earned or incurred rather than the period in which the cash is actually received or disbursed.

Revenues from sales and services rendered

Revenues are recognised when it is likely that the Company receives the financial benefits and yields deriving from the transaction and the amount of the revenues and costs incurred, or to be incurred, may be reliably measured. Revenues are stated at the fair value of the compensation received, or to be received, less discounts, reductions in price and other similar benefits that the Company may grant. The indirect taxes levied on transactions and which may be charged to third parties do not form part of revenues.

Interest received from financial assets

Interest from financial assets accrued after the time of acquisition will be recognized as revenue in the income statement. Interest is recognized using the effective interest method.

For these purposes, the initial measurement of the financial assets are recognised independently based on their maturity and the amount of explicit interest accrued and not accrued at that time. Explicit interest is understood to be that which is obtained by applying the contractual interest rate borne by the financial instrument.

3.13 Related-party transactions

In general, transactions between Group companies are initially recognized at fair value. If applicable, where the agreed price differs from the fair value, the difference is recognised based on the economic reality of the transaction. Subsequent measurements take place in accordance with applicable standards.

Prices for transactions carried out with related parties are adequately supported and therefore the Company's Directors consider that there are no risks that could give rise to significant tax liabilities.

3.14 Environmental issues

The costs incurred through the acquisition of systems, equipment and installations whose purpose is the elimination, limitation or control of possible impacts on the normal development of the Company's activities on the environment, which is considered to be an investment in assets.

All other expenses relating to the environment, other than those related to the acquisition of assets, are expensed in the year they accrue.

The Directors consider that given the nature of the activity carried out by the Company the potential impact of environmental contingencies that could arise is low.

4. INFORMATION REGARDING THE NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS

Dealing in financial instruments exposes the Company to credit, market and liquidity risk.

4.1 Credit risk

Credit risk arises from the potential losses that may arise from the failure to comply with contractual obligations by the Company's counterparties, i.e. the possibility that the financial assets may not be recovered at their carrying value or within the established term.

Maximum exposure to credit risk on 31 December 2014 and 2013 is as follows:

	31 December 2014	31 December 2013
Non-current loans to Group companies and associate	-	707,927
Non-current financial investments	14,251,930	14,209,898
Other receivables from public entities	3,720,980	3,704,043
Trade receivables	12,118,932	11,177,464
Group and associated companies	90,306	-
Current financial investments	1,017,560	733,103
Cash and other cash equivalents	17,056,212	20,453,184
	48,255,920	**50,985,619**

Operating activities

The possible risk of property lease defaults is insured through a policy that covers the loss of income over three years up to a limit of €10,000 thousand over the first two years and up to €2,300 thousand the third year.

Rent is paid on a quarterly basis by Banco Santander within the established 10 day period.

On 31 December 2014, there has been no delay and no payment pending by Banco Santander. The tenant's creditworthiness reduces the eventual risk of non-payment of the rent.

Investment activities

Non-current financial investment: this heading deals with lease bonds presented in different regional communities under the concept of bonds agreed upon. They will be returned upon termination of the lease agreement.

4.2 Market risk

Market risk arises from the possible losses that may derive from changes in fair value or in future cash flows from a financial instrument due to changes in market prices. Market risk includes interest rate risk and inflation risk.

Interest rate risk

The Company's exposure to interest rate risk is mainly due to the non-current loans at variable interest rates.

This risk is mitigated by the hedge instruments obtained by the company (Swaps) that cover both the amount and the term of the loans and therefore eliminate this risk.

Exchange rate risk:

The Company has no exchange rate risk and only operates in euro.

Other price risks

The initial lease agreement signed between Banco Santander and the Company on 23 November 2007 dealt with an annual update of rents according to the CPI plus an additional 2.15% for the first 10 years. The sum of said CPI was also covered by a financial derivative (Swap) at 2.85%, to which a 2.15% increase is added for the first 10 years, resulting in a 5% annual increase.

On 1 August 2014, a new addendum was signed for the lease agreement initially signed in 2007 and subsequently completed with the addendum signed in 2010 between the Company and Banco Santander.

Through this amendment to the initial agreement, the entire Company branch portfolio has been divided up into three sub-portfolios (Blue, Green and Yellow). It was agreed for each sub-portfolio that the lessee must comply, in one case, with two extension periods (14 additional years), in another with one extension period (7 additional years) and for the last sub-portfolio a compulsory extension of 5 years.

It is also agreed that a change should be made to the price index on which the annual rent increase is calculated, according to the HIPC and excluding 2.15% of additional increase. For the purpose of updating the rent, which will take place in November 2014, the basic rent will be the amount resulting from the update performed in November 2013, using the HIPC and excluding the 2.15% additional increase.

4.3 Liquidity risk

Liquidity risk arises from the possibility that the Company may not have liquid assets, or access them, in a sufficient amount or at an adequate cost, to cover its payment obligations at all times. The Company's objective is to maintain all necessary liquid resources to attend to its payment obligations.

In order to minimise liquidity risk, the Company has obtained interest rate hedge instruments that convert variable rate interest into a fixed rate of interest and it has obtained Index Linked Swaps to secure the increase in annual rent by 5% up until 2017 to guarantee the possibility of attending to payment obligations using the lease income obtained.

The following table shows the treasury budget from December 2014 to December 2015.

Cash at the beginning of December 2014	**17,056,212**
Net collection of operating revenues	127,500,000
Revenues accrued relating to the inflation hedge effect.	9,800,000
Loan interest and derivative liquidation payments	(76,000,000)
Payment of senior loan capital	(38,100,000)
Payment of estimated dividends	(11,300,000)
Other payments (management fees, legal fees, personnel…)	(2,800,000)
Other taxes	(550,000)
Payment of Corporate Income Tax	3,704,043
Collection of receivables	11,177,464
Cash at the end of the period	**40,487,719**

The use of cash balances is restricted to payment of the interest on the next interest payment date

5. INVESTMENT PROPERTIES

Real estate investment corresponds to the acquisition by the Company from Banco Santander of initially 1,152 customer service offices all over Spain on 23 November 2007 for 2,040,000,000 plus the costs directly attributable to this transaction for € 44,430,134. Of the total portfolio of real estate properties initially purchased, 16 assets have been sold, the total of branches at 31 December 2014 being 1,136. From close of the 2013 financial year to 31 December 2014, the Company has not sold any branch.

On the acquisition date a contract was concluded with the same financial institution for their subsequent lease for an average term of twenty five years (24, 25 or 26 years, depending on the property) and Banco Santander may extend the leases for three consecutive seven year periods each. At the end of each contract period, Banco Santander has an option to acquire the offices at the market price prevailing at that time. If the Company sells any of the offices acquired, the lessee has one month to exercise its right to first refusal. If this right is not exercised, the lessor may freely sell it for an equivalent or higher price (Note 5.2).

All the assets are mortgaged as guarantee for the loans specified below in Note 13.

There are currently no fully depreciated assets.

Movements during the year

The main transactions in the accounts included under this heading in the 2014 and 2013 financial years were the following (in euros):

Financial year 31 December 2014

	Beginning balance	Additions and allocations	Disposals and reversals	Discontinued operations	Ending balance
Cost					
Land	1,054,254,168	-	-	(163,583,615)	890,670,553
Buildings	1,008,337,085	-	-	(140,926,070)	867,411,015
	2,062,591,253	-	-	(304,509,685)	1,758,081,568
Accumulated depreciation					
Buildings	(134,072,800)	(23,842,506)	-	25,240,097	(132,675,209)
Impairment					
Buildings	(272,609,516)	(20,569,125)	250,315,523	(8,014,388)	(34,848,730)
Net carrying value	**1,655,908,937**	**(44,411,631)**	**250,315,523**	**(271,255,200)**	**1,590,557,629**

The heading "accumulated amortisation" includes the allocation for amortisation for an amount of € 3,817,004, classified as discontinued operations in the profit and loss account for the 2014 financial year (€ 3,560,776 in the 2013 financial year), due to the Directors' stated intention of selling one of the portfolios.

In addition, the heading "Impairment losses and gains and losses on disposal of non-current assets and real estate investments" includes a net reversal for € 46,433,535, classified as discontinued operations (net impairment for € 9,790,494 in the 2013 financial year) due to said intention to sell (Note 9).

Financial year 31 December 2013

	Beginning balance	Additions and allocations	Disposals and reversals	Ending balance
Cost				
Land	1,056,387,806	-	(2,133,638)	1,054,254,168
Buildings	1,009,005,817	-	(668,732)	1,008,337,085
	2,065,393,623	-	(2,802,370)	2,062,591,253
Accumulated depreciation				
Buildings	(112,378,544)	(21,766,311)	72,055	(134,072,800)
Impairment				
Buildings	(246,784,139)	(53,368,540)	27,543,163	(272,609,516)
Net carrying value	**1,706,230,940**	**(75,134,851)**	**24,812,848**	**1,655,908,937**

At 31 December 2014, no acquisitions or sales had taken place. During the 2013 financial year, reductions in the cost of the real estate investments were registered as a result of the sale of two branches to private investors, which had a cost of € 2,802,370 (with accumulated amortisation of € 72,055 and impairment for € 368,281). Furthermore, at the time of purchase of the real estate properties, the Company allocated the value of purchase between lands, buildings, and facilities. However, due to the immaterial nature of the recoverable value of the facilities, they were assigned zero value.

5.2 Operating lease

On 23 November 2007, the Company signed a lease contract with Banco Santander for 1,152 customer service branches all over Spain. At 31 December 2014, after the sale of 16 branches during the 2013, 2012, and 2011 financial years, the lease contract applies to the remaining 1,136 branches.

The operating leases cover urban properties for non-residential use.

The mandatory initial term for the parties is 24, 25 or 26 years, depending on the property concerned, and the contract can be extended for seven more years up to three times. Each extension is mandatory for the lessor and optional for the lessee. In 2010, the Company signed with the lessor an addendum to this contract, changing the early termination rights, including the lessee's right to undertake substitutions of a specific number of branches and subject to a number of conditions regarding the real estate properties' rent and fair value.

Starting in year 10 (i.e. December 2017), the lessee has the right to terminate the agreement with respect to a certain number of units, provided that the rent relating to the cancelled contracts does not exceed € 0.6 million per year (updated in accordance with the CPI). If this right is not exercised in one year it may be accumulated to subsequent periods, provided that the rent for the units cancelled early is the lower of 1) €1.1 million in any year and 2) a total of € 2.4 million over 4 consecutive years. Notice will be provided 12 months in advance and there will be a penalty of 6 months' rent. The largest 45 properties are excluded from this right.

At the end of each lease, Banco Santander has a purchase option for the offices at the prevailing market value at the end of the total lease period (initial term plus renewals).

On 1 August 2014, the Company signed three addenda changing the conditions in the contract of 23 November 2007 with Banco Santander. These changes were mainly aimed at establishing the classification of the real estate portfolios into three sub-portfolios, changing the lease duration and removing the 2.15% annual increase to inflation that applied during the first 10 years of the lease.

The lessee pays the rental to the lessor within the 10 first days of every quarter.

The rent is updated on an annual basis on 23 November (on the anniversary of the start of the contract), in accordance with the September CPI, increased by 2.15% and from May 2014 on the basis of the HICP without increasing the 2.15%.

The Company purchased an inflation hedge derivative from a banking entity for which, during the 10 first years of the contract, the Company will pay the contractual rent received from the tenant to the counterparty banking entity, and in turn receives the initial rent increased by 5%, such 5% being updated on an annual basis. As a consequence of this inflation hedge derivative the Company has insured the rental increases over the first 10 years of the life of the lease.

Administration, conservation, and maintenance expenses, as well as service charges are paid by the lessee, as established in the lease contract.

The minimum future collection of the non-cancellable operating lease contracts (not taking into account the increases arising from the subscription of the aforementioned inflation derivative) at 31 December 2014 and 31 December 2013 are the following:

Euros	**31.12.2014**	**31.12.2013**
Up to one year	108,157,489	106,866,545
Between one to five years	432,629,956	427,466,180
More than five years	2,181,500,000	2,287,200,000
	2,722,287,445	**2,821,532,725**

Taxes

Taxes that are levied on the use of the properties are paid by the lessee. Those levied on the ownership of the property must also be paid by the lessee on behalf of the lessor.

Insurance

The lessee is responsible for insuring the properties and to cover certain sums established in the lease agreement.

Purchase option

The purchase option is independent and supplementary to the lease and has been registered in the Property Registry.

The term is the same as the initial term of the lease plus the total term of all possible renewals established in the contract.

The purchase option has been established free-of-charge. In the event that the option is exercised, the property will be acquired for the prevailing market price at the time the option is exercised.

6. LEASES AND OTHER SIMILAR TRANSACTIONS

The Company has leased its office premises on Serrano 21 (Madrid) until 14 November 2017. This contract will be automatically renewed for a term of two years if neither of the parties (lessor or lessee) objects.

The rent amount, including the expenses, amounts to € 5,500 per month plus VAT. This amount is updated on an annual basis in accordance with the CPI percentage variation. The CPI did not rise in 2014.

The minimum future payments of the non-cancellable lease contract at 31 December 2014 and 31 December 2013 are the following:

Euros	**31.12.2014**	**31.12.2013**
Up to one year	66,000	7,500
Between one to five years	330,000	-
	396,000	**7,500**

The previous contract of Paseo de la Castellana, 30 ended on 31 July 2014 due to a change of address. The lessor was notified before the deadline established in the contract.

7. INVESTMENTS IN GROUP AND ASSOCIATES

7.1 Description of the main movements

In 2014, the Company reclassified the credits granted to Sant Midco and Sant Topco under the long-term financial investments heading, as they were not regarded as group companies or affiliates after the sale of shares belonging to the Sole Shareholder Sant Midco to Ziloti Holding S.a.r.l. (Note 1). At 31 December 2014, all investments are impaired.

The details in and transactions of the various items that constituted this heading in 2014 were the following:

	31.12.2013	Additions	Impairment	31.12.2014
Loan to St Midco	227,003	612,525	(839,528)	-
Loan to St Topco	480,924	367,469	(848,393)	-
Total (Notes 10 and 18)	**707,927**	**745,047**	**(1,452,974)**	**-**

The details in and transactions of the various items that constituted this heading in 2013 were the following:

	31.12.2012	Additions	31.12.2013
Loan to St Midco	153,665	73,338	227,003
Loan to St Topco	410,231	70,693	480,924
Total (Notes 10 and 18)	**563,896**	**144,031**	**707,927**

The credit granted to group companies included the following loans:

- Loan to St Midco Holdings B.V, which was signed on 15 September 2008, effective from 2 October 2007 for € 100,000, with an applicable one-year Euribor interest rate plus 100 base points, with a five-year term. The interest generated was capitalised, and thus increased the principal amount to be repaid. During the 2011 financial year, the nominal value of the loan was increased to € 136,990, and in the 2013 financial year, the nominal value of the loan was increased again to € 207,092. During 2014, the nominal value of the loan was increased to € 701,139, and it was finally fully impaired due to its unrecoverable nature. Impairment for € 839,528 was recorded in the profit and loss account.

- Loan to St Topco Holdings B.V, which was signed on 15 September 2008, effective from 11 April 2008 for € 100,000, with an applicable one-year Euribor interest rate plus 100 base points, with a five-year term. The interest generated was capitalised, and thus increased the principal amount to be repaid. During the 2009 financial year, the nominal value of the loan was increased to € 205,000. In 2011 financial, the nominal value of the loan was increased to € 385,000, and in 2013, the nominal value of the loan was increased again to € 455,693. During 2014, the nominal value of the loan was increased to € 806,076, and it was finally fully impaired due to its unrecoverable nature. Impairment for € 848,393 was recorded in the profit and loss account.

The amount of the interest accrued during the 2014 financial year that ended on 31 December 2014 amounted to € 17,470, and was recorded as financial income of group companies until the date of the corporate restructuring by which Sant Midco ceased to be the Sole Shareholder (Notes 1 and 18).

8. FINANCIAL DERIVATIVES

The Company uses derivative financial products, mainly to eliminate or significantly reduce the interest rate risks existing in its financial position, as well as inflation risks. These products have been obtained to hedge the interest risk relating to mortgage loans obtained on 23 November 2007, as well as to hedge inflation rate change risks affecting the revision of rent.

If the conditions of those hedge instruments and hedged instruments coincide the hedge will be considered to be effective and, therefore, they will be recognised under equity. If the conditions of hedge instruments is not effective, their value will be recognised in the income statement.

The total fair value of a hedging derivative is classified as non-current assets or liabilities if the time remaining to maturity of the hedged item is more than 12 months and as current assets or liabilities if the time remaining to maturity of the hedged item is less than 12 months.

During the 2014 financial year, the Company had the following interest swap agreements:

I.R.S. (Interest Rate Swap)								
Bank	**Amount contracted**	**Notional at 31/12/14**	**Contract date**	**Effective start date**	**Maturity date**	**Intere st rate paid**	**Interest rate receive d**	**Swap considera tion**
BNP Paribas	600,000,000	577,295,895	23/11/2007	23/11/2007	23/11/2014	4.33%	3-month Euribor	Hedge (1)
Bank of Scotland	420,000,000	420,000,000	05/12/2007	24/11/2014	23/11/2017	4.75%	3-month Euribor	Hedge (2)
Bank of Scotland	600,000,000	539,445,975	23/11/2007	23/11/2007	24/11/2014	4.33%	3-month Euribor	Hedge (1)
Barclays Bank PLC	400,000,000	359,630,650	15/11/2007	23/11/2007	24/11/2014	4.33%	3-month Euribor	Hedge (1)
La Caixa	140,000,000	140,000,000	05/12/2007	24/11/2014	23/11/2017	4.75%	3-month Euribor	Hedge (2)
Societe Generale	140,000,000	140,000,000	05/12/2007	24/11/2014	23/11/2017	4.75%	3-month Euribor	Hedge (2)
BNP Paribas	180,928,119	180,928,119	29/08/2014	15/11/2014	15/11/2017	0.28%	3-month Euribor	Hedge (1)
Goldman Sachs	180,928,119	180,928,119	29/08/2014	15/11/2014	15/11/2017	0.28%	3-month Euribor	Hedge (1)
BNP Paribas	467,150,131	467,150,131	29/08/2014	15/11/2017	15/11/2019	0.86%	3-month Euribor	Hedge (1)
Goldman Sachs	467,150,131	100,000,000	29/08/2014	15/11/2017	15/11/2019	0.86%	3-month Euribor	Hedge (1)

(1) Senior Loan Swap Hedge

(2) Senior loan hedge swaps from 24/11/2014, being speculative until this date.

During the 2013 financial year, the Company had the following interest swap agreements:

I.R.S. (Interest Rate Swap)								
Bank	**Amount contracted**	**Notional at 31/12/2013**	**Contract date**	**Effective start date**	**Maturity date**	**Interest rate paid**	**Interest rate received**	**Swap consideration**
BNP Paribas	600,000,000	552,945,975	23/11/2007	23/11/2007	23/11/2014	4.33%	3-month Euribor	Hedge (1)
Bank of Scotland	420,000,000	420,000,000	05/12/2007	24/11/2014	23/11/2017	4.75%	3-month Euribor	Speculative (2)
Bank of Scotland	600,000,000	552,945,975	23/11/2007	23/11/2007	24/11/2014	4.33%	3-month Euribor	Hedge (1)
Barclays Bank PLC	400,000,000	368,630,650	15/11/2007	23/11/2007	24/11/2014	4.33%	3-month Euribor	Hedge (1)
La Caixa	140,000,000	140,000,000	05/12/2007	24/11/2014	23/11/2017	4.75%	3-month Euribor	Speculative (2)
Societe Generale	140,000,000	140,000,000	05/12/2007	24/11/2014	23/11/2017	4.75%	3-month Euribor	Speculative (2)

(1) Senior Loan Swap Hedge

(2) Speculative Swaps

At 31 December 2014, the Company transferred a loss of € 57,361,691 from the net equity to the profit and loss account due to the interest rate hedge. At 31 December 2013, the transferred amount equalled a loss of € 62,409,856. These amounts were recorded under the financial expense heading, as well as the hedged items. Due to the classification of one of the portfolios as being held for sale, a financial expense for € 10,232,208 (€ 11,132,702 in the 2013 financial year) was classified as discontinued operations in the 2014 profit and loss account.

In addition, the Company has reached an agreement to ensure the revisions on the basis of the CPI (Consumer Price Index) applicable in the lease contract. The contract date is 22 November 2007, with effective date of 23 November 2007 and maturity date of 16 August 2017, with quarterly liquidations. The sum of the liquidations at 31 December 2014 amounts to € 7,242,992 (€ 3,610,269 at 31 December 2013).

Bank	**Amount contracted**	**Notional amount at 31/12/14**	**Effective start date**	**Maturity date**	**Established amount**
BNP Paribas	25,250,000	25,250,000	23/11/2007	23/11/2017	5.00%

The derivative contract hedging CPI revisions is regarded as providing a hedge until 31 July 2014, and is regarded as speculative from this date. Classification as a speculative derivative from 1 August 2014 means that the settlements from this derivative that were recorded as increased net revenue are subsequently recorded as financial income from the date when they lose their category as hedges.

The amount of the inflation settlements recorded as an increase in net revenues amounts to € 3,432,240 (€ 3,610,269 at 31 December), while those recorded as financial revenues amount to € 3,810,751 (€ 0 at 31 December 2013). Due to the classification of one of the portfolios as being held for sale, net revenue of € 520,276 (€ 547,262 in the 2013 financial year) was classified as discontinued operations in the 2014 profit and loss account.

On 23 November 2010, the Company contracted a interest swap (with a notional value of € 438,858,476), for which it paid € 827,099, to mitigate the risk of fluctuation of the mezzanine loan interest rate. This derivative was cancelled at 30 September 2014 after the capitalisation of the mezzanine loan (Note 12.1).

Variations in the fair value of the derivatives in the 12-month period ended on 31 December are recorded against net reserves of their tax effect in the case of hedge derivatives and against profit and loss in the case of speculative derivatives.

	31 December 2014		**31 December 2013**	
(Euros)	**Notional**	**Fair value**	**Notional**	**Fair value**
Senior Swap Hedges	1,996,156,500	(106,738,134)	1,474,522,600	(53,717,057)
Swap Inflation (*)	25,250,000	41,216,020	25,250,000	37,499,552
Speculative	-	-	700,000,000	(79,198,092)
Mezzanine CAP	-	-	438,858,476	-
	2,021,406,500	**(65,522,114)**	**2,638,631,076**	**(95,415,597)**

(*) The inflation derivative is regarded as speculative since 1 August 2014.

The fair values of these financial instruments, calculated on the basis of the cash flow discount method, using the interest rate curves, are reflected in financial assets and financial liabilities at 31 December 2014 and 31 December 2013 as follows:

	31 December 2014	**31 December 2013**
Non-current financial investments - Derivatives (Note 10)	24,234,923	30,869,585
Non-current assets held for sale (Note 9)	6,247,729	-
Current financial investments - Derivatives (Note 10)	10,733,369	6,629,967
Non-current borrowings - Derivatives (Note 13)	(59,463,265)	(75,998,614)
Liabilities related to non-current assets held for sale (Note 9)	(19,042,083)	-
Current borrowings - Derivatives (Note 13)	(28,232,786)	(56,916,535)
	(65,522,114)	**(95,415,597)**

9. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

On 31 December 2014, the Directors decided to reclassify as held-for-sale subsidiaries included in the "Yellow" portfolio (considered as disposal group), as they have stated their intention to sell them in the short term. In this respect, the annual accounts include under "Non-current assets held for sale" and "Liabilities associated to non-current assets held for sale" the value of investment properties assigned to this portfolio, the guarantees received by these leased branches together with deposits made with Public Bodies, bank debt assigned to each branch for which there is an obligation to depreciate 120% in the event of sale, and the derivatives, both deriving from inflation and interest rates, which would be cancelled if the sale was made.

Additionally, the income statement includes the reclassification as Discontinued activities of the income and expense considered to be associated to the portfolio branches which were classified as held for sale, both in 2014 and 2013, in order to maintain comparability criteria.

9.1 Non-current assets held for sale

	31.12.2014
Investment Properties (Note 5)	271,255,200
Non-Current financial investments - Derivatives (Note 8)	4,330,015
Current financial investments - Derivatives (Note 8)	1,917,714
Guarantees and deposits (Note 10)	2,083,438
	279,586,367

9.2 Liabilities associated with non-current assets held for sale

	31.12.2014
Bank borrowings (Note 13)	252,713,482
Non-Current borrowings - Derivatives (Note 8)	12,911,692
Current borrowings - Derivatives (Note 8)	6,130,391
Guarantees received (Note 13.4)	2,536,776
	274,292,341

9.3 Profit for the year from discontinued operations

DISCONTINUED OPERATIONS	NOTES	2014	2013
Net revenues	**5 and 15.1**	**20,573,666**	**20,421,694**
Revenues from Real Property Leases		19,324,324	19,093,673
Reinvoicing of charges		729,066	780,759
Settlements of hedge derivatives		520,276	547,262
Other operating income		**-**	**-**
Personnel expenses		**-**	**-**
Other operating expenses	**15.3**	**(729,065)**	**(780,759)**
External services		(375,927)	(392,741)
Taxes		(353,138)	(388,018)
Depreciation of investment properties	**5**	**(3,817,004)**	**(3,560,776)**
Impairments and losses and losses on disposal of non-current assets and investments properties		**46,433,535**	**(9,790,494)**
OPERATING PROFIT/(LOSS)		**62,461,132**	**6,289,665**
Financial income	**14.4**	**693,183**	**8,829**
Financial expenses	**14.6**	**(16,544,049)**	**(14,694,031)**
Fair value variation in financial instruments	**14.7**	**(2,594,233)**	**658,347**
FINANCIAL PROFIT		**(18,445,099)**	**(14,026,855)**
Profit for the year from discontinued operations		**44,016,033**	**(7,737,190)**

9.4 Cash flow status corresponding to non-current assets held for sale

	2014	2013
Cashflow from operating activities	3,993,735	4,955,733
Cashflow from investing activities	-	-
Cashflow from financing activities	(5,668,592)	(7,143,682)

10. FINANCIAL ASSETS

10.1 Analysis by Category

The composition of the financial assets at 31 December 2014 and 31 December 2013, not including "Cash and cash equivalents" is as follows:

	31 December 2014		31 December 2013	
	Receivable, derivatives and other	Total	Receivable, derivatives and other	Total
Non-current financial assets				
Trade and other receivables	12,168,491	12,168,491	14,917,825	14,917,825
Assets at fair value with changes in profit and loss (Note 8)	24,234,923	24,234,923	-	-
Hedging Derivatives (Note 8)	-	-	30,869,585	30,869,585
	36,403,414	**36,403,414**	**45,787,410**	**45,787,410**
Current financial assets				
Trade and other receivables	13,226,798	13,226,798	11,910,567	11,910,567
Assets at fair value with changes in profit and loss (Note 8)	10,733,369	10,733,369	-	-
Hedging Derivatives (Note 8)	-	-	6,629,967	6,629,967
	23,960,167	**23,960,167**	**18,540,534**	**18,540,534**
	60,363,581	**60,363,581**	**64,327,944**	**64,327,944**

These amounts are broken down in the balance sheet as follows:

	31 December 2014		31 December 2013	
	Receivables, derivatives and other	**Total**	**Receivables, derivatives and other**	**Total**
Non-current financial assets				
Investments in group companies and associates				
Loans to group companies	-	-	707,927	707,927
Non-current financial investments				
Guarantees provided	12,168,491	12,168,491	14,209,898	14,209,898
Derivatives (Note 8)	24,234,923	24,234,923	30,869,585	30,869,585
	36,403,414	**36,403,414**	**45,787,410**	**45,787,410**

	31 December 2014		31 December 2013	
	Loans, derivatives and other	**Total**	**Loans, derivatives and other**	**Total**
Current financial assets				
Trade and other receivables	12,118,932	12,118,932	11,177,464	11,177,464
Clients, group companies (Note 18)	90,306	90,306		
Other financial assets (Note 13)	1,017,560	1,017,560	733,103	733,103
Derivatives (Note 8)	10,733,369	10,733,369	6,629,967	6,629,967
	23,960,167	**23,960,167**	**18,540,534**	**18,540,534**
	60,363,581	**60,363,581**	**64,327,944**	**64,327,944**

Guarantees

As stipulated in Note 3.4, these guarantees are associated with the lease contracts (Note 5), so their maturities are associated with the end of their respective contracts. The transactions carried out in the 2014 and 2013 financial years mainly correspond to the recovery of the guarantees from the Public authorities corresponding to the assets sold in the 2013 financial year.

31 December 2014

	Initial amount	Additions	Disposals	Discontinued operations	Final amount
Long-term guarantees and deposits	14,209,898	44,089	(2,058)	(2,083,438)	12,168,491

31 December 2013

	Initial amount	Additions	Disposals	Final amount
Long-term guarantees and deposits	14,220,359	-	(10,461)	14,209,898

Trade and other receivables

In the 2012 financial year, the cost associated with branch 100876, amounting to € 11,177,464 (€ 6,330,051 in buildings and € 4,847,412 in land) was reclassified under non-currentreceivables, as clause 2 of the "Condition Precedent" in the contract has come into force because the conditions established for the transfer, as stipulated in the addendum to the contract signed on 20 November 2012, were not met. By virtue of this decision, Banco Santander will return to the Company the entire amount paid by the branch, so the amortisation made to date for € 1,290,448 and the impairment associated with it for € 631,316 were reverted.

Clients, group companies

This corresponds to a receivable to be collected from the parent company, Ziloti Holding S.a.r.l., for various payments made on behalf of this company.

Other financial assets

The Company records the uncollected interest accrued from the liquidations of the inflation derivative at 31 December 2014 under the heading "Other financial assets". This amount is € 1,017,560 (€ 733,103 at 31 December 2013). The receivables are not regarded as having undergone any change in value.

10.2 Analysis by maturity

The amounts of the asset financial instruments with a specific or determinable maturity, classified by maturity year, were the following at 31 December 2014:

	Financial assets						
	2015	**2016**	**2017**	**2018**	**2019**	**Subsequent years**	**Total**
Clients, group companies	90,306	-	-	-	-	-	**90,306**
Trade and other receivables	12,118,932	-	-	-	-	-	**12,118,932**
Other financial assets	1,017,560						**1,017,560**
Guarantees and deposits	-	-	-	-	-	12,168,491	**12,168,491**
Derivative financial instruments	10,733,369	14,093,817	10,141,106	-	-	-	**34,968,292**
	23,960,167	**14,093,817**	**10,141,106**	**-**	**-**	**12,168,491**	**60,363,581**

The amounts of the asset financial instruments with a specific or determinable maturity, classified by maturity year, were the following at 31 December 2013:

	Financial assets						
	2014	**2015**	**2016**	**2017**	**2018**	**Subsequent years**	**Total**
Loans to Group companies and associates	-	707,927	-	-	-	-	**707,927**
Trade and other receivables	11,177,464	-	-	-	-	-	**11,177,464**
Other financial assets	733,103	-	-	-	-	-	**733,103**
Derivative financial instruments	-	-	-	-	-	14,209,898	**14,209,898**
Loans to Group companies and associates	6,629,967	9,956,233	12,361,268	8,552,084	-	-	**37,499,552**
	18,540,534	**10,664,160**	**12,361,268**	**8,552,084**	**-**	**14,209,898**	**64,327,944**

11. CASH AND CASH EQUIVALENTS

The composition of this heading at 31 December 2014 and 31 December 2013 is as follows:

	31 December 2014	**31 December 2013**

On-demand current accounts	17,056,212	20,453,184
	17,056,212	**20,453,184**

The current accounts accrue the market interest rate for this type of account.

There are restrictions on the availability of part of these balances for € 17,056,212 (€ 18,998,781 at 31 December 2013), for obligations linked to the mortgage loans (Note 13.3).

12. EQUITY

12.1 Equity - Capital and reserves

The composition of capital and reserves is explained below:

a) Share capital

On 31 July 2014, the Company proceeded to capitalise the mezzanine loan granted by certain financial institutions during the 2007 financial year, which the amortised cost was € 449,964,035. The capital increase was the equivalent of the fair value of said loan, which amounted to € 254,971,060. This valuation was performed by an independent expert. The difference with respect to its amortised cost as of said date was recorded in the profit and loss account for € 194,992,975.

This transaction led to an increase of € 1 in the value of shares, equal to an increase in the subscribed capital of € 2,597,010, issuing in turn a share premium for € 252,374,050. On 31 July 2014, the Company approved a share premium distribution for € 150,000,000, but, due to a lack of liquidity, it was not paid up and two loan contracts were established with shareholders for this amount (Note 13.1). Thus the net share premium increase was € 102,374,050.

Due to this capitalisation and later distribution of the share premium, the share capital at 31 December 2014 amounted to € 5,194,020 (€ 2,597,010 at 31 December 2013), represented by 2,597,010 shares, each one with a nominal value that went from € 1 to € 2. These shares are fully subscribed and paid-up by the shareholders. All shares have the same voting and financial rights. All shares are pledged as guarantee for the loans specified in Note 13.

The share capital at 31 December 2013 was represented by 2,597,010 shares, each one with a nominal value of € 1, fully subscribed and paid by the Sole Shareholder, Sant Midco Holdings, B.V.

At 31 December 2014, the companies that have an ownership interest in the share capital in a percentage equal to or higher than 10% are the following:

Company	**Number of shares**	**Share value**	**Subscribed share capital**	**Ownership interest**
Ziloti Holding S.a.r.l	2,207,458	2.00	4,414,916	85%
Banco Santander, S.A.	389,552	2.00	779,104	15%

TOTAL	**2,597,010**	**-**	**5,194,020**	**100%**

As is stipulated by Article 5 of Law 11/2009 (26 October), which regulates Listed Real Estate Market Investment Companies, and the amendments approved by the law dated 7 September 2012 on measures to make the home rental market more flexible, companies that are regulated by the preceding legislation must have a minimum of €5 million in share capital. However, as was indicated in transitional provision one of Law 11/2009 this special tax system may be applied even when these requirements are not met provided that they are met within two years after opting to apply this tax system.

In accordance with Article 5.4 mentioned above, when share capital is increased the company must be transformed from a private limited liability company into a public limited liability company and when changing its name the phrase "Sociedad Cotizada de Inversion en el Mercado Inmobiliario, Sociedad Anonima" or the abbreviation 'SOCIMI" must be included in its name.

b) Share premium

The share premium at 31 December 2014 amounted to € 317,449,216 (€ 215,075,166 at 31 December 2013).

The share premium was generated as a result of the capital increases carried out by the Company during the 2010, 2012 and, finally, 2014 financial years. On 31 July 2014, the Company capitalised the mezzanine loan as a share premium for the fair value of € 252,374,050, while the difference with respect to the amortised cost at which it had been recorded in books was recorded in the profit and loss account at € 194,992,975.

The share premium was reduced by the distribution of dividends to shareholders performed by the Company for € 150,000,000, but given that the Company had no cash to make this payment, debts towards the shareholder Ziloti Holding S.a.r.l, for € 127,500,000 and towards the shareholder Banco Santander for € 22,500,000 were generated (Note 18).

c) Reserves and carry forwards

The details in and transactions of the various items that constituted the reserves and carry forwards were the following:

Financial year 31 December 2014

	31.12.2013	**Distribution of results**	**31.12.2014**
Voluntary reserves	3,579,356	-	3,579,356
Prior year losses	(479,962,365)	(28,405,368)	(508,367,733)
	(476,383,009)	**(28,405,368)**	**(504,788,377)**

Financial year 31 December 2013

	31.12.2012	Distribution of results	31.12.2013
Voluntary reserves	3,579,356	-	3,579,356
Prior year losses	(334,903,664)	(145,058,701)	(479,962,365)
	(331,324,308)	**(145,058,701)**	**(476,383,009)**

Equity – Measurement adjustments

Details and movements for the adjustments due to changes in value at 31 December 2014 and 31 December 2013 are as follows:

Year ending 31 December 2014:

	Beginning balance	Additions	Tax effect of additions	Amounts transferred to the income statement	Reversal of deferred tax assets and liabilities relating to hedge instruments	Other	Ending balance
Cash flow hedges (Note 8)	**(17,044,604)**	(5,895,264)	-	49,011,239	-	-	**26,071,371**
	(17,044,604)	**(5,895,264)**	**-**	**49,011,239**	**-**	**-**	**26,071,371**

Year ending 31 December 2013:

	Beginning balance	Additions	Tax effect of additions	Amounts transferred to the income statement	Reversal of deferred tax assets and liabilities relating to hedge instruments	Other	Ending balance

Cash flow hedges (Note 8)	**(65,418,618)**	17,610,978	-	58,799,587	-	(28,036,551)	**(17,044,604)**
	(65,418,618)	**17,610,978**	**-**	**58,799,587**	**-**	**(28,036,551)**	**(17,044,604)**

The column “Other” relates to the elimination of the tax effect of the derivatives due to the application by the Company of the special SOCIMI system.

12.3 Equity – Application and Distribution of profits

a) *Restrictions on dividend distribution*

The Company is under an obligation to allocate 10% of the year's profits to the statutory reserve, until it reaches at least 20% of the share capital. Until this reserve exceeds 20% of the share capital there can be no distributions to shareholders.

Once the reserves stipulated by law or in the Bylaws have been covered, dividends may only be distributed charged to the profit of the financial year or to unrestricted reserves, if the equity value is not, or, as a consequence of the distribution, will not be, less than the share capital. To this end, the profits taken directly to equity may not be subject to either direct or indirect distribution. If there were losses from previous years that would make the value of the Company's equity less than the share capital, the profit must be used to offset those losses.

b) *Mandatory distribution of dividends*

Given that it has been included in the SOCIMI (REIT) system and, as stated in article 29 of the Bylaws, once appropriate commercial obligations have been met, the Company will be obliged to distribute the profit obtained in the year as dividends to its Sole Shareholder, pursuant to the provisions of article 6 of Law 11/2009 of 26 October regulating the Listed Real Estate Market Investment Companies (*Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario*, or SOCIMI (REIT, in English)).

c) *Proposed distribution of profits*

The proposed distribution of profits presented to the General Shareholders' Meeting is as follows:

	2014
Balance for purposes of distribution	
Profit and Loss	387,901,939
Application	
To the Statutory Reserve	1,038,804
To the Voluntary Reserve	232,535,964
To Dividends	154,327,171
	387,901,939

13. FINANCIAL LIABILITIES

13.1 Analysis by Category

The composition of the financial liabilities at 31 December 2014 and 31 December 2013 is the following:

31 December 2014

	Bank borrowings	Derivatives and others	Total
Non-current financial liabilities			
Borrowings and payables	1,125,852,001	14,207,946	1,140,059,947
Hedging derivatives (Note 8)	-	59,463,265	59,463,265
Debts to group companies	-	157,500,000	157,500,000
	1,125,852,001	**231,171,211**	**1,357,023,212**
Current financial liabilities			
Borrowings and payables	47,071,946	2,032,380	49,104,326
Hedging derivatives (Note 8)	-	28,232,786	28,232,786
	47,071,946	**30,265,166**	**77,337,112**
	1,172,923,947	**261,436,377**	**1,434,360,324**

Financial Year 2013

	Bank borrowings	Derivatives and others	Total
Non-current financial liabilities			
Borrowings and payables	-	16,744,721	16,744,722
Liabilities at fair value through profit and loss - Held-for-trading (Note 8)	-	75,998,614	75,998,614
Hedging derivatives (Note 8)	-	-	-
	-	92,743,335	92,743,336
Current financial liabilities			
Borrowings and payables	1,887,512,666	522,177	1,888,034,843
Liabilities at fair value through profit and loss - Held-for-trading (Note 8)	-	3,199,479	3,199,479
Hedging derivatives (Note 8)	-	53,717,056	53,717,056
	1,887,512,666	57,438,712	1,944,951,378
	1,887,512,666	**150,182,047**	**2,037,694,714**

These amounts are broken down in the balance sheet as follows:

	31.12.2014	31.12.2013
Non-current financial liabilities		
Bank borrowings (Note 13.3)	1,125,852,001	-
Guarantees received (Note 13.4)	14,207,946	16,744,722
Derivatives (Note 8)	59,463,265	75,998,614
Non-current payables to group companies and associated (Note 13.4)	157,500,000	-
	1,357,023,212	92,743,336
Current financial liabilities		

Bank borrowings (Note 13.3)	47,071,946	1,887,512,666
Derivatives (Note 8)	28,232,786	56,916,535
Sundry payables	2,032,380	522,177
	77,337,112	1,944,951,378
	1,434,360,324	**2,037,694,714**

Analysis by maturity date

The maturities of the financial liabilities at 31 December 2014 are as follows:

	Financial liabilities						
	2015	**2016**	**2017**	**2018**	**2019**	**Subsequent years**	**Total**
Bank borrowings	47,071,946	-	-	-	1,125,852,001	-	**1,172,923,947**
Derivatives	28,232,786	28,111,424	31,351,841	-	-	-	**87,696,051**
Payables to group companies	-	-	-	-	-	157,500,000	**157,500,000**
Trade and other payables	2,032,380	-	-	-	-	14,207,946	**16,240,326**
	77,337,112	**28,111,424**	**31,351,841**	**-**	**1,125,852,001**	**171,707,946**	**1,434,360,324**

At 31 December 2013, the maturities of the financial liabilities were as follows:

	Financial liabilities						
	2014	**2015**	**2016**	**2017**	**2018**	**Subsequent years**	**Total**
Bank borrowings	1,887,512,666	-	-	-	-	-	**1,887,512,666**
Derivatives	56,916,535	29,796,727	26,414,034	19,787,853	-	-	**132,915,149**
Trade and other payables	522,177	-	-	-	-	16,744,722	**17,266,899**
	1,944,951,378	**29,796,727**	**26,414,034**	**19,787,853**	**-**	**16,744,722**	**2,037,694,714**

The Company complies with the time limits laid down in Law 15/2010 regarding deferral of payments to suppliers.

13.3 Bank borrowings

The detail of bank borrowings at 31 December 2013 and 31 December 2014 is as follows:

	31 December 2014	**31 December 2013**
Non-current		
Non-current financial liabilities	1,125,852,001	-
Current		

Current financial liabilities	38,144,611	1,877,015,682
Liabilities related to non-current assets held for sale (Note 9)	252,713,482	-
Accrued interest payable	8,927,335	10,496,984
	1,425,637,429	**1,887,512,666**

The bank borrowings correspond to two loans taken out on 15 November 2007, with the following characteristics:

1) Senior Loan

Syndicated loan for a total nominal amount of € 1,600,000,000, initially distributed by institutions as follows:

	Amount contracted	31 December 2014 outstanding amount	31 December 2013 outstanding amount
BNP Paribas	400,000,000	354,177,523	362,122,046
AIB	400,000,000	-	-
La Caixa	150,000,000	132,816,571	135,795,767
Bank of Scotland	35,000,000	-	-
Société Générale	131,000,000	115,993,139	118,594,970
Raiffeisen Zentralbank	128,000,000	113,336,808	115,879,055
Erste Bank	56,000,000	-	-
Bayerische Landesbank	200,000,000	177,088,762	181,061,023
IKB Deutsche Industriebank AG	50,000,000	44,272,191	45,265,256
Westdeutsche Immoblienbank AG	50,000,000	44,272,191	45,265,256
Caspian Luxembourg Co	-	23,793,688	24,327,402
RMF Financial Holding	-	192,094,920	196,403,783
Barclays Bank PLC	-	66,907,851	68,408,655
Burlington Loan Management	-	151,956,451	155,364,972
Total	**1,600,000,000**	**1,416,710,095**	**1,448,488,185**

Until the refinancing agreement was signed on 31 July 2014, the annual interest rate was Euribor plus 1.265%. Following the refinancing agreement the agreed spread is now 3.000% from 31 July 2014 until November 2017 and thereafter 4.000% until its termination in November 2019. The interest is paid quarterly, on 15 February, 15 May, 15 August and 15 November, or the next business day of each period. At 31 December 2014, interest arising from this financing has become due in the amount of € 35,384,140, of which € 5,511,356 is pending payment (2013: € 22,030,350 and 2,744,805 respectively).

The agreement stipulated that repayment of the principal would begin as from the date of the 5th interest payment, i.e. as from 15 February 2009. As a result of the mandatory full cash sweep now provided for in the agreement, the Company has been repaying a larger amount than that required under the agreement. During the 2013 financial year, € 40,047 thousand was repaid, of which € 1,647 thousand corresponded to voluntary debt reduction.

During the first half-year of the 2014 financial year, the Company repaid € 24,000,000, in line with the repayment timetable for the initial loan. During that half-year, the voluntary repayments planned for the 2013 Financial Year overall were not made as a result of the ongoing negotiations on refinancing the senior loan agreement. This was finally signed on 31 July 2014.

On 31 July 2014, the Company completed the process of refinancing the senior loan by signing an agreement to novate the financing agreement for the senior loan in the amount of € 1,424,488 thousand. This refinancing results in an extension of the maturity of the senior loan to 22 November 2019.

Additionally, it includes an option for the Company to extend the life of the agreement for one more year, with a maturity date of November 2020, said option being subject to an increase in the spread to 5.000%. According to this novation agreement, the amount lent would be paid on expiration of the agreement, although, each year, the Company must make an early repayment of the cash surplus resulting from reducing operating expenses to the annual income obtained.

On 31 December 2014, the nominal amount of the current loan amounted to € 1,416,710,095 (on 31 December 2013, the nominal amount of the current loan amounted to € 1,448,488,185), the accounting value at amortised cost of this loan, on 31 December 2014, being € 1,416,710,095 (on 31 December 2013, the amortised cost amounted to € 1,445,624,462).

Additionally, the Company, in accordance with the new financing agreement, must at all times during the life of the loan, comply with a series of financial ratios for debt coverage and the loan as a percentage of asset value. The Company must present calculations of these quarterly, after payment of interest. If the Company fails to comply, it will have 10 business days to make the transactions required to restore them. The financial ratios to be complied with shall be the following:

- The debt coverage for each interest payment must be: up to 15 November 2014, at least 1.00x; up to 15 November 2016, 1.40x and up to the termination date, 1.50x
- The Loan to value ratio cannot exceed: up to 15 November 2016, 85%; up to 15 November 2018, 80% and up to 15 November 2019, 75%. If the agreement is extended, the percentage complied with up to the effective termination date must not exceed 70%.

The Company calculated the financial ratios in December, 2014 and no breach was identified.

2) <u>Mezzanine Loan</u>

	Contracted amount (EUR)	31/12/2013 Outstanding amount (EUR)
Banco Santander	113,100,000	175,781,061
BNP Paribas	25,000,000	38,855,230
Pearl Assurance PLC	50,000,000	77,710,460
Bank of Scotland	25,000,000	38,855,230
Societe Generale	10,000,000	15,542,092
La Caixa	50,000,000	77,710,460
Total Balance	**273,100,000**	**424,454,533**

On 31 December 2013, the annual interest rate was Euribor plus 4.000% for the first two years, Euribor plus 6.000% for the next three years and Euribor plus 7.000% for the last two years, maturing on 15 November 2014. The interest was generated half-yearly, and was capitalized, to be payable when the loan matured. The interest accrued was € 18,662,097 in 2014, and € 30,021,504 during the

2013 financial year. Additionally, the profit and loss accounts included the impact of recording the debt at amortised cost, which implied financial revenue of € 3,498,280 at 31 December 2013. The accounting value at amortised cost of this loan, on 31 December 2013, was € 432,361,883.

In July 2014, following valuation by an independent expert, the mezzanine loan was capitalised at its fair value (Note 12.1), in the amount of € 254,971,060, and the difference from the accounting value corresponding to amortised cost was recorded as revenue in the profit and loss account in the amount of € 194,992,975.

Additionally under "Current bank borrowings", at 31 December 2014, the accrued interest payable was recorded to be € 5,511,356 (2013: € 2,744,805) and the accrued interest payable on the interest rate derivatives was recorded to be € 3,415,978 (2013: € 7,752,179).

13.4 Other non-current financial liabilities

Guarantees received

The Company received, from its tenant, two months' rent for each office rented out, as a deposit guaranteeing compliance with the obligations established in the rental contracts.

During the 2014 financial year ending on 31 December 2014, there were no movements in the guarantees received since no offices were sold. The balance was € 16,744,722 on 31 December 2014 (€ 16,744,722 on 31 December 2013).

Non-current payables to Group companies and associates

On 31 July 2014, the Company incurred debts to its shareholders, Ziloti Holding S.a.r.l and Banco Santander, S.A. of € 127,500,000 and € 22,500,000 respectively as a result of the lack of liquid assets for distributing the share premium of € 150,000,000. This debt generates interest of 12.000% p.a., which is capitalised annually on 31 July and will be repaid on its maturity date, i.e. in 2039. On 31 December 2014, the amount of interest accrued was € 7,500,000.

14. TAX SITUATION

The detail of the balances related to tax assets and tax liabilities as of 31 December 2014 and 31 December 2013 is as follows:

	31 December 2014	**31 December 2013**
Other receivables from public institutions:	3,720,980	3,704,043
Corporate income tax	3,685,394	3,690,210
VAT to be offset	35,586	13,833
	3,720,980	**3,704,043**
Other payables to public administrations	94,512	101,016
IGIC payable	93,389	93,444
IPSI payable	938	938
Personal income tax withholdings payable	185	4,346
Social security	-	2,288
	94,512	**101,016**

In accordance with current legislation, tax returns cannot be deemed definitive until verified by the tax authorities or until becoming statute-barred, currently established at four years. For all the taxes applicable to the Company, the relevant data for the last four years is available for inspection. In the opinion of the Company's Directors and of its tax advisers, there are no tax contingencies involving significant amounts that could arise, if there were an inspection, from possible different interpretations of the tax regulations applicable to the transactions carried out by the Company in addition to those broken down in Note 21.

14.1 Calculation of Corporate Income Tax

On 23 September 2013 the Company started to apply the special tax system with retroactive effect to 1 January 2013. In accordance with Law 11/2009 (Note 3.11) it will be taxed at the zero rate for corporate income tax purposes, unless the retention requirement is not met.

Corporate income tax is calculated based on the reported profit, obtained by applying generally accepted accounting principles, which does not necessarily agree with taxable income, which is understood to be the tax assessment base.

In 2012 Royal Decree Law 12/2012 (30 March), approved the limitation of the deduction of financial expenses. This measure governs the non-deductibility of financial expenses deriving from debts with group companies when the funds have been used to:

- ✓ Acquire shares in any company from other group companies.
- ✓ Make contributions to the share capital or equity of other group companies.
- ✓ Net financial expenses exceeding one million euro are not deductible when they exceed 30% of operating profits.

Temporary differences in the table presented below make reference to the limitation of the deductibility of financial expenses and the temporary limitation on part of the depreciation expense recognised.

The reconciliation of book profit before taxes and the corporate income tax base is set out below:

<u>Financial Year 2014:</u>

	Income Statement			Income and expense attributed directly to equity		
	Increases	**Decreases**	**Total**	**Increases**	**Decreases**	**Total**
Income/expense for the year before taxes			387,901,939			
Permanent differences	-	-	-	-	-	-
Temporary differences	**7,152,752**	**-**	**7,152,752**	**(5,895,264)**	**49,011,239**	**43,115,975**
Arising in the year	7,152,752	-	7,152,752	(5,895,264)	49,011,239	43,115,975
Arising in prior years	**-**	**-**	**-**	**-**	**-**	**-**
Offset of prior year tax loss carryforwards	-	-	-	-	-	-
Tax base			**395,054,691**			**43,115,975**

The temporary differences correspond to the fiscal non-deductibility of 30% of the financial year's allocations to amortisation. Since the Company has adopted the SOCIMI tax system, it considers that the said asset would not be recoverable, so it is registered as though it were a permanent difference.

Financial Year 2013:

	Income Statement			Income and expense attributed directly to equity		
	Increases	**Decreases**	**Total**	**Increases**	**Decreases**	**Total**
Income/expense for the year before taxes			**(28,002,591)**			
Permanent differences	-	-	-	-	-	-
Temporary differences	**78,212,317**	**-**	**78,212,317**	**17,610,978**	**58,799,587**	**76,410,565**
Arising in the year	78,212,317	-	78,212,317	17,610,978	58,799,587	76,410,565
Arising in prior years	-	-	-	-	-	-
Offset of prior year tax loss carryforwards	-	-	-	-	-	-
Tax base	**-**	**-**	**50,209,726**	**-**	**-**	**76,410,565**

The reconciliation of expense/(income) for corporate income tax and the result of multiplying the tax rates applicable to all recognised income and expenses, differentiating the profit and loss account, is as follows:

2014	**Income statement**	**Income and expenses attributed directly to equity**
Profit/(loss) before taxes	387,901,939	43,115,975
Tax charge	-	-
Effective tax (expense) / income	**-**	**-**

2013	**Income statement**	**Income and expenses attributed directly to equity**
Profit/(loss) before taxes	(28,002,591)	76,410,565
Tax charge	(402,507)	-
Deferred tax asset expenses	(402,507)	
Impact of temporary differences on the income statement	-	
Effective tax (expense) / income	**(402,507)**	**-**

Corporate income tax expense in 2013 relates entirely to the reversal of the deferred tax assets generated by Royal Decree Law 12/2012 on the non-deductibility of certain financial expenses in 2012. Due to the Company's application of the special SOCIMI tax system (Law 11/2009) and, therefore, the 0% corporate income tax rate, the Company has eliminated the deferred asset against the income statement since it will not be recoverable in the future.

Corporate income tax (expense)/income for the year is calculated as follows:

2014	Income statement	Income and expenses directly attributed to equity
Current income tax	-	-
Change in deferred taxes		
Tax credits	-	-
Cash flow hedges	-	-
Other temporary differences	-	-
	-	**-**

2013	Income statement	Income and expenses directly attributed to equity
Current income tax	-	-
Change in deferred taxes		
Tax credits	(402,507)	-
Cash flow hedges	-	(28,036,551)
Other temporary differences	-	-
	(402,507)	**(28,036,551)**

The calculation of Corporate Income Tax refundable at 31 December 2014 and 31 December 2013 is as follows:

	31 December 2014	31 December 2013
Current income tax	-	-
Withholdings and interim payments	-	3,690,211
Corporate income tax refundable	**-**	**3,690,211**

The company has recorded, under the heading "Other public administration credits", the amount of the first payment on account of Corporate Income Tax for the 2013 financial year, made by the Company in April 2013, before it adopted the special SOCIMI (REIT) system. The directors of the Company expect that this amount will be collected soon, having requested this in the Corporate Income Tax declaration made in July 2014.

14.2 Deferred tax assets and liabilities

The breakdown of movements in items making up deferred tax assets and liabilities are as follows:

31 December 2014

2014	**Beginning balance**	**Income statement**	**Equity**	**Other**	**Ending balance**
Deferred tax assets					
Tax credits	-	-	-	-	-
Financial expense RDL 12/2013	-	-	-	-	-
Derivatives (Note 8)	-				
Total	**-**	**-**	**-**	**-**	**-**
Deferred tax liabilities	-	-	-	-	-
Derivatives (Note 8)	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**

31 December 2013

		Changes recognised in			
			Equity		
2013	**Beginning balance**	**Income statement**	**Change in value**	**SOCIMI system**	**Ending balance**
Deferred tax assets					
Financial expense RDL 12/2013	402,777	(402,777)	-	-	-
Derivatives (Note 8)	34,979,195	-	(18,864,078)	(16,115,117)	-
Total	**35,381,972**	**(402,777)**	**(18,864,078)**	**(16,115,117)**	**-**
Deferred tax liabilities					
Derivatives (Note 8)	(6,942,643)	-	(4,059,092)	(11,001,736)	-
Total	**(6,942,643)**	**-**	**(4,059,092)**	**(11,001,736)**	**-**

As a result of adopting the SOCIMI (REIT) system, effective as at 1 January 2013, the Company has written off all deferred tax assets and liabilities which under its business plan it considers it will not be able to use. Nonetheless, since the business plans used by the Company are based on complex future estimates deriving largely from the lease agreement and the evolution of future tax treatment , they will be revised and updated on an annual basis.

The tax-loss carry forwards that the Company may offset in the future amount to € 405,892.686. These tax-loss carry forwards may only be offset if the Company generates taxable profits from the sale of branch offices prior to the expiration of the minimum ownership period of 3 years pursuant to Law 11/2009, among other situations.

15. INCOME AND EXPENSES

The information in this note does not take into account the revenue and expenses corresponding to the Yellow portfolio, since it has been reclassified as discontinued operations, because the corresponding assets and liabilities were classified as being held for sale,as set out in Note 9.

15.1 Net revenues

The distribution of net revenues from the Company's operations is as follows:

Euros	31.12.2014	31.12.2013
Property lease income (Note 5)	108,157,489	106,866,545
Re-invoicing of service charges	4,080,556	4,369,875
	112,238,045	**111,236,420**

Additionally, the Company has recorded, € 2,911,964 (€ 3,063,007 at 31 December 2013) under Company's net revenues, which corresponds to the revenue accrued in the financial year corresponding to the effect of the inflation hedge (Note 8).

The entirety of the net revenues for the 2014 and 2013 financial years was generated within Spain.

15.2 Employee benefit expenses

2013

Euros	31/12/2014	31/12/2013
Social Security	11,545	20,733
	11,545	**20,733**

15.3 External services

The detail of external services is as follows:

	31/12/2014	31/12/2013
Leases and premia (Note 6)	35,188	21,575
Independent professional services	12,478,995	4,567,641
Bank services	29,971	7,299
Utilities	-	213
Other services	2,334,781	2,198,155
Other taxes	2,525,441	2,642,423
Other Operating Expenses	-	147,256
Losses, impairment and changes in provisions for commercial transactions	1,728,364	-
	19,132,740	**9,584,562**

15.4 Financial income

The detail of financial income is as follows:

Euros	31/12/2014	31/12/2013
Income recognised due to the capitalisation of the mezzanine loan (Note 11).	194,992,975	39,707
Other financial income - Derivatives (Note 8)	3,117,568	-
Interest on loans to associated companies (Notes 7 and 17)	10,003	3,236
Interest from third parties (Note 7)	7,468	-
	198,126,014	**42,943**

15.5 Financial expense

The detail of financial expenses is as follows:

Euros	31/12/2014	31/12/2013
Interest payable to Group companies (Note 17)	7,500,000	-
Interest payable to third parties	47,734,396	42,926,678
Senior loan interest (Note 12)	29,072,299	16,403,453
Mezzanine loan interest (Note 12)	18,662,097	26,523,225
Other financial expense - Derivatives (Note 8)	47,129,483	51,277,154
Other financial expenses	162,631	130,716
	102,526,510	**94,334,548**

15.6 Change in fair value of financial instruments

The negative changes in fair value during the 2014 financial year corresponding to the interest derivatives considered speculative until 24 November 2014, the date on which the requirements for accounting as hedge were first complied with, amounted to € 16,688,773, while the positive changes in the fair value of the inflation derivative since 31 July 2014, the date on which this was considered speculative, were € 1,586,813.

The transfer to income statements of the positive fair value of the inflation derivative on 31 July 2014, the last date on which this was considered a hedge, amounted to € 4,172,685, and was recorded linearly until the maturity of that derivative.

16. ACCRUALS AND DEFERRED INCOME

The Company had booked prepaid revenue of € 10,709,423 on 31 December 2014 (€ 10,783,842 at 31 December 2013) that corresponded to the part deferred to 2014 of the rental invoice to Banco Santander, for the quarter from 1 November 2014 to 31 January 2015.

This deferral has been carried out by calculating the number of days incurred in each year.

17. COMPENSATION AND BALANCES WITH EMPLOYEES, DIRECTORS AND AUDITORS

17.1 Personnel structure and senior management compensation

At 31 December 2014 and 2013, the Company had one employee (male).

During the 2014 and 2013 financial years, the average number of employees was 1 (male).

The Company entered into a Senior Executive Agreement at 13 November 2014, on the basis of the following definition of the Senior Executive´s duties:

- Undertakes duties related to the Company's overall aims: Plans, directs and controls the Company's activities, either directly or indirectly.

- Carries out his duties with autonomy and full responsibility, only limited by the criteria and direct instructions of the legal owner/owners or the higher governance and administration bodies that represent these owners

During the 2014 financial year, the Senior Executive received no payment whatsoever, and no advance payments were made to him.
During the 2014 financial year, the administrative management was carried out by a related company that specialises in managing real estate assets. During the 2015 financial year, the Company has hired personnel with the aim of carrying out these management activities internally.

17.2 Shareholdings and positions held, and activities carried out, by members of the Governing Body

The duty of avoiding situations in which there is a conflict with the Company's interests: during the financial year, the directors who have occupied positions on the board of directors have complied with the obligations provided for in article 228 of the consolidated text of the Spanish Corporations Law. Similarly, both they and persons linked or related to them have refrained from engaging in the cases of conflict of interest provided for in article 229 of that Law, except in those cases in which the appropriate warning was given.

The directors Stephen Farrugia and Luis Iglesias Rodríguez-Viña, resigned as directors of the Company on 1 August 2014. Carlos Martínez de Campos y Carulla and James Preston were appointed as directors on 1 August 2014. Justo Gómez López was appointed as director on 3 September 2014. The directors Simon Blaxland and Jonathan Kendall were appointed directors on 4 December 2014.

During the 2014 financial year, remunerations accrued to members of the Board of Directors totalled € 32,500. During the 2013 financial year, the members of the Board of Directors received no payment whatsoever, and no advance payments were made to them.

At 31 December 2014 and 31 December 2013, the Company has entered into no undertakings on matters of pensions and life insurance policies with the previous or current members of the Board of Directors, nor has it entered into obligations on their behalf by way of a guarantee.

18. TRANSACTIONS WITH RELATED PARTIES

The related parties with which the Company has carried out transactions, as well as the nature of that association in 2014, is as follows:

	Nature of the association
Ziloti Holding S.a.r.l	Direct parent company
Banco Santander, S.A.	Direct parent company
Directors	Board Members

The related parties with which the Company has carried out transactions, as well as the nature of that association in 2013, is as follows:

	Nature of the association
St Midco Holding B.V	Direct parent company
St Topco Holding I S.a.r.l.	Parent of the group
St Topco Holding II S.a.r.l.	Group company
Directors	Board Members

The transactions carried out with associated companies relate to the Company's normal course of business and are carried out at market prices similar to those applied to unrelated companies.

The balances maintained with associated parties at 30 December 2014 and 31 December 2013 are as follows:

2014	Parent of the group	Direct parent company	Other group companies	Associated companies
Trade receivables from group companies (Note 7)	-	90,306	-	
Non-current loans	-	157,500,000	-	-

2013	Parent of the group	Direct parent company	Other group companies
			-
			-
Non-current loans (Notes 7 and 10)	480,924	227,003	-

The companies that are related because they are shareholders in Ziloti Holding, S.a.r.l are the following:

Company	31 December 2014
BNP Paribas	354,177,523
La Caixa	132,816,571
Société Générale	115,993,139
Raiffeisen Zentralbank (RBI)	113,336,808
Bayerische Landesbank	177,088,762
IKB Deutsche Industriebank AG	44,272,191
Caspian Luxembourg Co	23,793,688
Total	961,478,682

The amount recorded with related companies refers to the amount of the senior debt corresponding to those financial institutions that have an indirect ownership interest in the Company through the partner, Ziloti Holding S.a.r.l, as a result of the process of restructuring the company.

The transactions with related parties, at 31 December 2014 and 31 December 2013, were as follows:

2014	Parent of the group	Direct parent company	Other Group companies and associates
External services	-	-	375,000
Financial income - Interest *	-	10,003	-
Financial expense	-	7,500,000	-

(*) Interest generated by the credits granted to St Topco and St Midco up to 31 July 2014, the date on which they ceased to be considered companies in the group.

2013	Parent of the group	Direct parent company	Other Group companies and associates
External services	-	-	375,000
Financial income - Interest	-	3,236	-

Atisha Samos Ltd. is related to the Company through a financial consultancy agreement.

19. OTHER INFORMATION

19.1 Auditors' fees

The fees that accrued to PricewaterhouseCoopers Auditores, S.L. during the financial year, for audit services and other checking services were € 93,000 (€ 27,729 in 2013) and for other services amounted to € 122,620 (€ 0 in 2013), no other fees having come due for other services by companies in their network.

19.2 Information regarding the environment

At 31 December 2014 and 31 December 2013, the systems, equipment and facilities the Company invested in order to protect the environment and the expenses incurred with that aim, were not significant.

With the procedures currently implemented, the Company considers that environmental risks are adequately controlled. The Company received no environmental subsidies during the financial years ending 31 December 2014 and 31 December 2013.

19.3 Contingencies

In October 2014, the Central examining court no. 1 of the National Appellate Court initiated pre-trial proceedings no. 78/2004 as a result of the complaint made against the company for alleged money laundering and tax evasion. The investigation into the events about which the Public Prosecutor has laid a complaint is currently in a very early phase. The scope of this investigation has not yet been specified by the Court.

20. REPORTING REQUIREMENTS FOR SOCIMI LAW 11/2009

In compliance with the provisions of Article 11 of Law 11/2009 that regulates listed real estate market investment companies, the following information is set out below:

- At 31 December 2014 there are no reserves from prior years. They therefore cannot be broken down. Neither have any dividends charged against reserves been distributed.

- Given that it has been included in the SOCIMI (REIT) system and, as stated in article 29 of the Bylaws, once appropriate commercial obligations have been met, the Company will be obliged to distribute the profit obtained in the year as dividends to its shareholders, pursuant to the provisions of article 6 of Law 11/2009 of 26 October regulating the Quoted Real Estate Investment Limited Companies (Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario, or SOCIMI (REIT)). During the 2014 financial year, the Company made an accounting profit that can be distributed as dividends, having proposed that € 154,327,171 be distributed as dividends (Note 11).

- With respect to the investment requirements regulated by article 3 of the SOCIMI Act, it is made clear that the Company has invested at least 80% of its assets in urban real estate to be rented. In this respect, it should be mentioned that the date on which the real estate properties to be rented were acquired is specified in Note 5 of this report, as are their names and identifying details.

- Of the branch offices that the company bought in November 2007, at 31 December 2014 it owned 1,136 branch offices, with a purchase price of € 2,065 million, the net carrying value being € 1,862 million. All these assets are counted within the 80% referred to in section 1 of article 3 of Law 11/2009.

- The share capital has been increased to € 5,194,020 in compliance with the minimum, which is € 5,000,000.

- In March, the company started to be quoted on the Alternative Stock Market.

21. SUBSEQUENT EVENTS

On 19 March 2015, the Company received notice of the start of penalty proceedings by the State Tax Administration Agency, due to a difference between the tax-loss carry forwards for 2012 presented in the self-assessment of Corporate Income Tax for financial year 2013 and those included in the self-assessment of Corporate Income Tax for financial year 2012. Due to a clerical error, the amount included in the self-assessment of Corporate Income Tax for financial year 2013 was € 48,129,725 greater that the amount considered correct.

Said notice included a proposed fine of € 7,219,459, corresponding to 15% of the stated difference. There would, however, be a reduction of 30% in the fine for accepting it, provided that no appeal is made, and an additional 25% discount if payment is made in full within the legal deadline.

The State Tax Administration Agency considers that, given that said difference was identified though a data verification process undertaken by the tax administration, instead of having been remedied through self-assessment, this may imply negligence on the Company's part.

The directors consider that there are sufficient arguments for considering that it is possible that it will finally be necessary to pay that fine, but not probable. Firstly, the Company showed an amount as tax-loss carryforward which was mistakenly included in other accounting documents, so it was a simple clerical error and there is absolutely no culpability, and therefore no subjective element of the type of offence. Then again, since the Company is a REIT (Socimi), and therefore pays Corporate Income Tax at 0%, it is almost certain that it could not apply tax-loss carry forwards of that amount. The Company will present pleadings within the stipulated deadlines.

Since the fine has been evaluated as possible but not probable, the Company has not recorded any impact to in the financial statements, which would have implied a liability for the amounts claimed by the State Tax Administration Agency.

Apart from that mentioned in the previous paragraph, in the directors' opinion, no events have occurred since the close of the financial year that could have a significant impact on the financial statements.

On the other hand, on 23 April 2015, the sale of 381 branches in the “Yellow” portfolio was concluded, amounting to €308,691,519. These branches were recorded as “Non-current assets held for sale” at 31 December 2014. The carrying amount of the branches sold amounted to €257,977,223 at 31 December 2014, accounting for approximately 95% of the assets and liabilities classified as held for sale.

URO PROPERTY HOLDINGS SOCIMI, S.A.
(formerly called "Samos Servicios y Gestiones, S.L.")

Directors' Report

Events during the year

On 23 November 2007 the Company acquired 1,152 properties from Banco Santander pertaining to its branch office network.

Simultaneously, the Company and Banco Santander concluded a lease agreement and purchase option at a market price for the lessee (Banco Santander) covering each of the acquired properties. The initial term of the agreement is mandatory for both parties and lasts for 24, 25 or 26 years, depending on the asset concerned. After that period the lessee may extend the lease for a maximum of 3 extensions for a seven-year period each. Managing this lease agreement is the Company's primary activity.

As its main source of financing, the Company obtained two syndicated loans totalling €1,600,000 and €273,100,000 on 15 November 2007 from a consortium of financial institutions led by Banco BNP. The Company also obtained a participating loan totalling €210,800,000 from its sole shareholder, Sant Midco Holdings, B.V.

Simultaneously, the Company contracted a series of derivative financial products in order to eliminate any fluctuation in interest (euribor) and inflation rates. Thanks to these financial derivatives, the Company eliminates the risk of possible changes in its main income account (rent payments) and expenses (financial expenses).

In 2012, the Company anticipated the possibility that it might not be able to comply with some of its obligations at the maturity date of the senior and mezzanine loans in November 2014. That, together with (a) the conditions of the real estate market and the lack of liquidity in the banking system at that time (ii) the restriction of the tax deductibility of financial expenses from corporate income tax introduced by Royal Decree-Law 12/2012 (30 March) and (iii) the risk that as a result of the impairment of the real estate assets recorded in prior years due to the economic recession and, in particular, the recession in the real estate market, the Company may not be able to comply with certain obligations relating to its debt level (established in the financing agreements), led the Company to take the action necessary to design and implement a refinancing strategy and the reorganisation of its capital and financial structure together with advisors and financial creditors.

In December 2012 Uro's then sole shareholder, Sant Midco, capitalised in that company the full amount of the participating loan that it granted to the Company in 2007 (mentioned above).

On 23 September 2013, Uro's then sole shareholder, Sant Midco, decided that effective 1 January 2013, the Company would apply the special system for Listed Real Estate Market Investment Companies (SOCIMI), regulated by the SOCIMI Act.

Within the framework of the negotiations, Uro's then sole shareholder, Sant Midco, and the financial creditors deemed it advisable to implement a new more conservative capital and financial structure for the Company that required the creditors to become shareholders (direct and indirect) of Uro. In this respect and within the framework of the negotiations, on 4 November 2013 the company Ziloti Holding S.àr.l., currently Ziloti Holding, S.A. ("Ziloti") was incorporated, and one of the then indirect shareholders of Uro acquired all of its share capital on that date through the company Atisha Holding S.àr.l. ("Atisha"). The entry of financial creditors into the share capital of Ziloti (and indirectly in Uro) took place later.

On 15 May 2014 Uro reached a framework refinancing framework, whose implementation took place between the end of July and beginning of August 2014.

The restructuring accelerated the senior debt, the sale of URO's equity for a nominal value of €1 and the reduction of financial loads by approximately € 446 million, which was capitalised and restored URO's financial balance.

Within the context of the refinancing, on 31 July 2014 Banco Santander acquired a direct stake of 15% in Uro's share capital in exchange for a part of its stake in Ziloti. As a result, the total shareholding (direct and indirect) held by Banco Santander in Uro rose to 24%.

On 31 July 2014, and as a result of the implementation of the preceding transactions, among others, the terms of the financial debt were novated (senior loan granted in 2007 in the amount of € 1,600 million), and therefore Uro's financial debt rose to € 1,424 million. The decrease experienced by the senior loan (€ 1,600 million in 2007 to € 1,424 million in July 2014), is the result of the repayments of principal carried out in those years.

Within the framework of the implementation of Uro's financial restructuring strategy, on 1 August 2014 the Company lease agreement with Banco Santander was novated.

On 27 October 2014, Uro's current shareholders, held a Universal Extraordinary Meeting and adopted the resolutions necessary to change the name of the company to its current name Uro Property Holdings, S.L.

On 23 December 2014 the Company's shareholders held a Universal Extraordinary Meeting and adopted the resolutions necessary to transform it into a public limited liability company, an S.A.

In March 2015, the company started to be quoted on the Alternative Stock Market, fulfilling all the requirements mentioned in articles 4 and 5 of Law 11/2009 of 26 October regulating the Listed Real Estate Market Investment Companies (SOCIMI).

The Company has put a part of its portfolio up for sale that represents approximately 15% of the total portfolio by income volume. It is for this reason that part of the portfolio has been classified as an asset being held for sale.

URO is also reviewing its options for optimising its capital and financial structure, and considering various options, including a potential refinancing.

Research and development activities

The Company has not carried out any research and development activities.

Acquisition of treasury shares

The Company has not acquired any treasury shares during the year.

Risk Management

The Company uses derivative financial instruments to cover variable interest rate risk (Swaps) for the financing obtained to acquire the properties. In addition, the Company has concluded an agreement to hedge against possible increases in the inflation rate affecting future rent income.

In August 2014 the company contracted new interest rate swaps.

Personnel

During the 2014 and 2013 financial years, the average number of employees was 1 .

During the 2014 financial year, the administrative management was carried out by a related company that specialises in managing real estate assets. During the 2015 financial year, the Company has hired personnel with the aim of carrying out these management activities internally.

Subsequent events

On 23 April 2015, the sale of 381 branches in the "Yellow" portfolio was concluded, amounting to €308,691,519. These branches were recorded as "Non-current assets held for sale" at 31 December 2014. The carrying amount of the branches sold amounted to €257,977,223 at 31 December 2014, accounting for approximately 95% of the assets and liabilities classified as held for sale.

RE-PREPARATION OF THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

In accordance with current commercial legislation, the Directors of Uro Property Holdings SOCIMI, S.A. these Annual Accounts and the Directors' Report for the year ended 31 December 2014, which were initially prepared on 31 March 2014, have been prepared again on 27 April 2015, and are comprised of sheets 1 to 58.

Madrid, 27 April 2015

Mr. Carlos Martínez de Campos y Carulla Director	Mr. Simon Blaxland Director
Mr. James Preston Director	Mr. Justo Gómez López Director
Mr. Jonathan Kendall Director	