lar España

Real Estate

Index

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. and Subsidiaries

Consolidated Financial Statements for year then ended on 31 December 2015, prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and Directors' Report, together with Independent Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2.a and 31). In the event of a discrepancy, the Spanish-language version prevails.

Lar España
Real Estate
SOCIMI

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2.a and 31). In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of LAR ESPAÑA REAL ESTATE SOCIMI, S.A.:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of LAR ESPAÑA REAL ESTATE SOCIMI, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

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

Lar España Real Estate SOCIMI

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of LAR ESPAÑA REAL ESTATE SOCIMI, S.A. and Subsidiaries as at 31 December 2015, and their consolidated results and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Report on Other Legal and Regulatory Requirements

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

DELOITTE, S.L.

Registered in ROAC under no. S0692

Antonio Sánchez-Covisa Martín-González

26 February 2016

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FINANCIAL REPORT

Consolidated Statement of Financial Position at 31 December 2015

(Prepared under International Financial Reporting Standards as adopted by the European Union)

Consolidated Statement of Financial Position at 31 December 2015

(Expressed in thousands of Euros)

Assets	Note	31.12.2015	31.12.2014
Intangible assets		1	
Investment properties	7	776,375	357,994
Financial assets with associates	10	16,774	
Equity-accounted investees	9	43,217	18,087
Non-current financial assets	11	8,475	3,841
Total non-current assets		**844,842**	**379,922**
Inventories			2,843
Trade and other receivables	12	4,647	1,970
Financial assets with associates	10	26,717	
Other current financial assets	11	1,676	32,032
Other current assets		601	136
Cash and cash equivalents	13	35,555	20,252
Total current assets		**69,196**	**57,233**
TOTAL ASSETS		**914,038**	**437,155**

The accompanying notes 1 to 31 and Appendix I form an integral part of the consolidated statement of financial position at 31 December 2015.

Equity and Liabilities	Note	31.12.2015	31.12.2014
Share capital	14	119,996	80,060
Share premium	14	415,047	320,000
Other reserves	14, 24	(5,767)	(9,185)
Retained earnings	14, 15, 26	43,559	3,456
Treasury shares	14	(709)	(4,838)
Valuation adjustments	14, 16	(1,560)	
Total equity		**570,566**	**389,493**
Financial liabilities from issue of bonds and other marketable securities	16, 17	138,233	
Loans and borrowings	16	173,354	37,666
Derivatives	14, 16	1,560	
Other non-current liabilities	16, 18	10,774	5,143
Total non-current liabilities		**323,921**	**42,809**
Financial liabilities from issue of bonds and other marketable securities	16, 17	3,504	
Loans and borrowings	16	5,593	156
Other financial liabilities	16	2,651	
Trade and other payables	14, 21	7,803	4,697
Total current liabilities		**19,551**	**4,853**
TOTAL EQUITY AND LIABILITIES		**914,038**	**437,155**

The accompanying notes 1 to 31 and Appendix I form an integral part of the consolidated statement of financial position at 31 December 2015.

Consolidated Statement of Comprehensive Income ended 31 December 2015

(Expressed in thousands of Euros)

Consolidated Income Statement	Note	2015	2014
Revenues	6, 8, 23	35,734	8,606
Other income		3,374	217
Personnel expenses	25	(396)	(108)
Other expenses	24, 27	(20,013)	(7,231)
Changes in the fair value of investment propert	7	25,978	442
Results from operations		**44,677**	**1,926**
Financial income	10, 11	2,444	2,391
Financial expenses	16, 17	(6,127)	(519)
Impairment and gains/(losses) on disposal of financial instruments		(29)	
Share in profit (loss) for the period of equity-accounted companies	9	2,594	(342)
Profit before tax from continuing operations		**43,559**	**3,456**
Profit from continuing operations		**43,559**	**3,456**
Income tax			
PROFIT FOR THE PERIOD		**43,559**	**3,456**

Basic earnings per share (in Euros)		0.91	0.09
Basic earnings per share (in Euros)		0.91	0.09

Consolidated Statement of Comprehensive Income	Note	2015	2014
Profit for the year (I)	26	43,559	3,456
Other Comprehensive Income Directly Recognised in Equity (II)	14	(1,560)	
Other Amounts Transferred to the Income Statement (III)			
TOTAL COMPREHENSIVE INCOME (I+II+III)		**41,999**	**3,456**

The accompanying notes 1 to 31 and Appendix I form an integral part of the consolidated statement of comprehensive income for the period ended 31 December 2015.

Consolidated Statement of Changes in Equity at 31 December 2015

(Expressed in thousands of Euros)

	Share Capital	Share premium	Other reserves	Other contribu-tions	Retained earnings	Treasury shares	Valuation adjust-ments	Total equity
Incorporation of Parent Company	60	-	(2)	-	-	-	-	58
Capital increases	80,000	320,000	(9,419)	240	-	-	-	390,821
Treasury shares	-	-	-	-	3,456	-	-	3,456
Total income and expenses recognised in the period	-	-	(4)	-	-	(4,838)	-	(4,842)
BALANCE AT 31 DECEMBER 2014	**80,060**	**320,000**	**(9,425)**	**240**	**3,456**	**(4,838)**	**-**	**389,493**
Total income and expenses recognised in the period	-	-	-	-	43,559	-	(1,560)	41,999
Transactions with equity holders or owners: Capital increases (note 14a)	39,936	95,047	(4,764)	-	-	-	-	130,219
Distribution of profit:	-	-	-	-	-	-	-	-
Reserves	-	-	2,125	-	(2,125)	-	-	-
Dividends	-	-	-	-	(1,331)	-	-	(1,331)
Recognition of share-based payments (note 14g)	-	-	5,298	-	-	-	-	5,298
Treasury shares (note 14e)	-	-	759	-	-	4,129	-	4,888
BALANCE AT 31 DECEMBER 2015	**119,996**	**415,047**	**(6,007)**	**240**	**43,559**	**(709)**	**(1,560)**	**570,566**

The accompanying notes 1 to 31 and Appendix I form an integral part of the consolidated statement of changes in equity for the period ended 31 December 2015.

Consolidated Statement of Cash Flows for the period ended 31 December 2015

(Expressed in thousands of Euros)

	Note	31.12.2015	31.12.2014
Cash flows used in operating activities		**22,674**	**2,807**
Profit / (loss) for the period before tax		43,559	3,456
Adjustment for:		(21,237)	(1,810)
Profit / (loss) from adjustments to fair value of investment properties	7	(25,978)	(442)
Impairment		95	162
Financial income		(2,444)	(2,391)
Financial expenses		6,127	519
Share in profit (loss) for the period of equity-accounted companies	9	(2,594)	342
Expenses from share-based payments	14 g	5,298	
Adjustments to the consideration given against profit and loss from business combinations	2	(1,741)	
Changes in operating assets and liabilities		1,885	(414)
Inventories		2,843	(2,843)
Trade and other receivables		(987)	(2,132)
Other current assets		(465)	(136)
Trade and other payables	19	494	4,697
Other cash flows from operating activities		(1,533)	1,575
Interest paid		(1,676)	(519)
Interest received		143	2,094
Cash flows from investing activities		**(370,221)**	**(411,557)**
Payments for investments		(400,577)	(411,557)
Associates		(64,175)	(18,429)
Intangible assets		(1)	
Outflow of liquid in business acquisitions	4 c	(198,382)	
Investment properties	7	(136,851)	(357,552)
Other financial assets		(1,168)	(35,576)
Proceeds from sales on divestments		30,356	
Other financial assets		30,356	

	Note	31.12.2015	31.12.2014
Cash flows from financing activities		**362,850**	**429,002**
Payments made and received for equity instruments		135,107	386,037
Proceeds from the issuance of share capital	14	130,219	390,879
Acquisition / disposal of equity instruments	14	4,888	(4,842)
Proceeds from financial liability instruments		229,074	42,965
Bonds and other marketable securities	17	138,005	
Loans and borrowings	17	86,149	37,822
Other financial liabilities		4,920	5,143
Dividends paid	14	(1,331)	
Net increase in cash and cash equivalents		**15,303**	**20,252**
Cash and cash equivalents at the beginning of the period		**20,252**	
Cash and cash equivalents at the end of the period		**35,555**	**20,252**

Notes 1 to 31 and Appendix I form an integral part of the consolidated statement of cash flows for the period ended 31 December 2015.

Notes to the Consolidated Annual Accounts for the annual period ended 31 December 2015

1 Nature, Activities and Composition of the Group

Lar España Real Estate SOCIMI, S.A. (hereinafter the Parent Company or Lar España) was incorporated with limited liability under Spanish law on 17 January 2014 for an indefinite duration as Lar España Real Estate, S.A. Its name was changed to the current name on 6 February 2014.

Its registered office is located at Calle Rosario Pino 14-16, 28020 Madrid.

According to its articles of association, the Parent Company's statutory activity consists of the following:

- The acquisition and development of urban properties for lease.

- The holding of investments in the share capital of other SOCIMIs (listed corporations for investment in the real estate market - Spanish "REITs") or in other entities not resident in Spain that have an identical statutory activity and are subject to a regime similar to that applicable to SOCIMIs, insofar as they have a legal or statutory obligation to distribute profits.

- The holding of investments in the share capital of other resident or non-resident entities in Spain, the main activity of which is the acquisition of urban properties for lease. These entities must be subject to the same regime established for SOCIMIs insofar as they have a legal or statutory obligation to distribute profits and must also comply with the investment requirements stipulated in article 3 of Law 11/2009 of 26 October 2009, amended by Law 16/2012 of 27 December 2012 which governs SOCIMIs.

- The holding of shares or investments in property collective investment undertakings governed by Law 35/2003 of 4 November 2003 on collective investment undertakings, amended by Law 22/2014 of 12 November 2014 on property collective investment undertakings.

- In addition to the economic activity derived from the principal statutory activity, SOCIMIs may carry out complementary activities. These are understood to be activities that do not amount to more than 20% of the total earnings of the Group in each tax period or those which can be considered complementary pursuant to prevailing legislation.

Lar España Real Estate SOCIMI, S.A. and its subsidiaries and associates, LE Logistic Alovera I y II, S.A.U. (formerly called Lar España Inversión Logística, S.A.U)., Puerta Marítima Ondara, S.L., LE Retail Hiper Albacenter, S.A.U. (formerly called Lar España Shopping Centres, S.A.U.), LE Offices Egeo, S.A.U. (formerly called Lar España Offices, S.A.U.), LE Retail Alisal, S.A.U. (formerly called Lar España Parque de Medianas, S.A.U.), LE Offices Eloy Gonzalo 27, S.A.U. (formerly called Riverton Gestión, S.A.U.), LE Retail As Termas, S.L.U. (formerly called Global Noctua, S.L.U.), LE Logistic Alovera III y IV, S.L.U. (formerly called Global Tannenberg, S.L.U.), LE Offices Joan Miró 21, S.L.U. (formerly called Global Meiji, S.L.U.), LE Retail Hiper Ondara, S.L.U. (formerly called Global Brisulia, S.L.U.), LE Logistic Almussafes, S.L.U. (formerly called Global Zohar, S.L.U.), LE Retail Sagunto, S.L.U. (formerly called Global Regimonte S.L.U.), LE Retail Megapark S.L.U. (formed through a merger with Global Morello, S.L.U being the absorbing company and Elisandra Spain VIII S.L.U. being the absorbed company)., LE Retail Galaria, S.L.U. (formerly called Global Misner S.L.U.), LE Retail Villaverde, S.L.U. (formerly called Lar España Parque de Medianas Villaverde, S.L.U.), Lar España Shopping Centres VIII, S.L.U., Lar España Parque de Medianas III, S.L.U., Lar España

Offices VI, S.L.U., LE Offices Arturo Soria, S.L.U. (formerly called Lar España Offices Arturo Soria, S.L.U)., Lar España Inversión Logística IV, S.L.U., LE Retail El Rosal, S.L.U., (formerly called El Rosal Retail, S.L.U.), Lavernia Investments, S.L., e Inmobiliaria Juan Bravo 3, S.L. (hereinafter the Group) have as their principal activity the acquisition and management of shopping centres and offices. However, they may invest on a smaller scale in other assets for rent or for direct sale (commercial premises, industrial bays, logistics centres or residential products).

Lar España Real Estate SOCIMI, S.A. has been listed on the Spanish Stock Exchanges and the Spanish automated quotation system since 5 March 2014.

The Parent Company is regulated by Law 11/2009 of 26 October 2009, as amended by Law 16/2012 of 27 December 2012, which governs SOCIMIs. Article 3 establishes the investment requirements for this type of company, namely:

1. SOCIMIs must invest at least 80% of their assets in urban properties for lease, in land for the development of urban properties for lease, provided that development commences within three years after the acquisition, or in the share capital or equity of other entities referred to in article 2.1 of Law 11/2009.

   Asset value will be based on the average of the asset values reflected in the consolidated quarterly balance sheets for the year. To calculate this value, the Company may replace the carrying amount of the items comprising those balance sheets with their market value, which would apply to all the balance sheets for the year. For these purposes, cash or receivables derived from transfers of these properties or investments, if any, carried out in the current year or previous years shall not be included provided, in the latter case, that the period for reinvestment stipulated in article 6 of the aforementioned Law has not expired.

2. Furthermore, at least 80% of income for the tax period and corresponding to each period, excluding that derived from the transfer of those equity investments and properties held for the purpose of carrying out the principal statutory activity, once the mandatory period mentioned in the following section has elapsed, must originate from property leases and dividends or shares in profits arising from those equity investments.

   This will be calculated as a percentage of consolidated profit if the company is the parent of a group in accordance with the criteria established in article 42 of the Spanish Code of Commerce, irrespective of domicile and of the obligation to draw up consolidated annual accounts. This group shall comprise solely the SOCIMIs and other entities to which article 2.1 of the above Law refers.

3. The properties that constitute the SOCIMI's assets must be leased for at least three years. The period of time during which the properties have been available for lease, up to a maximum of one year, shall be included for the purposes of this calculation. The period shall be calculated as follows:

   a) For properties included in the SOCIMI's holdings prior to availing of the regime, from the starting date of the first tax period in which the special tax regime established in the Law is applied, provided that on that date the asset was leased or available for lease. If not, the provisions of the following letter shall apply.

b) For properties developed or acquired subsequently by the Company, from the date on which they were leased or available for lease for the first time.

For shares or investments in the entities referred to in article 2.1 of the aforementioned Law, they should be maintained as assets on the SOCIMI's balance sheet for at least three years from their acquisition or, where applicable, from the start of the first tax period in which the special tax regime established in the above Law is applied.

Pursuant to the first transitional provision of Law 11/2009 of 26 October 2009, amended by Law 16/2012 of 27 December 2012 governing SOCIMIs, such entities may opt to apply the special tax regime under the provisions of article 8 of that Law, even if they do not meet the requirements set forth therein, provided these requirements are met within two years of the date on which they opt to apply the aforementioned regime.

Failure to comply with this condition will require the company to file tax under the general corporate income tax regime as of the tax year in which such failure arises, unless the failure is redressed in the following year. In addition, the company shall be obliged to deposit, together with the tax due for that tax period, the difference between the corporate income tax due under the general tax regime and the tax paid under the special tax regime in prior tax periods, without prejudice to any late payment interest, charges or fines that may be due.

Furthermore, Law 11/2009 of 26 October 2009, as amended by Law 16/2012 of 27 December 2012, establishes the following specific modifications:

- Flexible criteria for acquiring and maintaining properties: there is no lower limit regarding the number of properties that may be contributed when constituting a SOCIMI, except for residential properties, of which the minimum number of properties contributed shall be eight. Properties are no longer required to be kept on the SOCIMI's balance sheet for seven years, only for a minimum of three years.

- Reduced share capital requirements and unlimited financial leverage: the minimum capital requirement has been reduced from EUR 15 million to EUR 5 million, and the ceiling on borrowing by the property investment vehicle has been lifted.

- Reduced dividend distribution: until this Law entered into force, it was compulsory to distribute 90% of profits; this payout requirement has been reduced to 80%, applicable as of 1 January 2013.

- The tax rate for SOCIMIs for corporate income tax purposes is 0%. However, when a SOCIMI distributes dividends to shareholders with an interest greater than 5%, or that are exempt from tax or are subject to tax at less than 10%, a special tax which shall have the consideration of corporate income tax shall be levied on the SOCIMI at a rate of 19% of the dividend distributed to those shareholders. Where applicable, this special tax must be paid by the SOCIMI within two months of the dividend distribution date.

The Parent Company's Directors consider that the legal requirements in the above law are met.

The composition of the Group at 31 December 2015 and its method of integration in the consolidated financial statements are as follows:

Corporate Name	Company Address	Activity	Company holding the stake	% participation	Method of integration
LE Logistic Alovera I y II, S.A.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Hiper Albacenter, S.A.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Alisal, S.A.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Offices Egeo, S.A.U.	Calle Rosario Pino, 14-16 28020 Madrid-	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global-
LE Offices Eloy Gonzalo 27, S.A.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail As Termas, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
Lavernia Investments, S.L.	Calle Rosario Pino, 14-16 28020 Madrid	Property leasing and development	Lar España Real Estate SOCIMI, S.A.	50	Shareholding
Puerta Marítima Ondara, S.L.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	58.78	Shareholding
Inmobiliaria Juan Bravo 3, S.L.	Calle Rosario Pino, 14-16 28020 Madrid	Property leasing and development	Lar España Real Estate SOCIMI, S.A.	50	Shareholding
LE Logistic Alovera III y IV, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Offices Joan Miró 21, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Hiper Ondara, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Logistic Almussafes, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Sagunto, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	The acquisition and development of properties for lease	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Megapark, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Galaria, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Offices Arturo Soria, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global

LE Retail Villaverde, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
Lar España Shopping Centres VIII, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
Lar España Parque de Medianas III, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
Lar España Offices VI, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
Lar España Inversión Logística IV, S.L.U	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail El Rosal, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global

2 Basis of presentation

a Regulatory framework

The accompanying consolidated annual accounts for the period ended 31 December 2015 have been prepared on the basis of the accounting records of Lar España Real Estate SOCIMI, S.A. and subsidiaries, and in accordance with:

- The Spanish Code of Commerce and related mercantile legislation.

- International Financial Reporting Standards as adopted by the European Union (IFRSEU) through Regulation (EC) No 1606/2002/EC of the European Parliament and Law 62/2003 of 31 December 2003, on tax, administrative and social measures, as well as the applicable standards and circulars issued by the Spanish Securities Market Commission.

- Law 11/2009 of 26 October 2009, as amended by Law 16/2012 of 27 December 2012, which governs SOCIMIs.

- Any mandatory regulations approved by Spain's Accounting and Audit Institute to implement the General Chart of Accounts and its supplementary rules.

- All other applicable Spanish accounting principles.

To present fairly the consolidated equity and consolidated financial position of Lar España Real Estate SOCIMI, S.A. and subsidiaries at 31 December 2015 and the consolidated results of operations, changes in consolidated equity and consolidated cash flows for the 2015 financial year.

These consolidated annual accounts have been prepared applying the regulations in force at 31 December 2015.

b Functional and presentation currency

The figures disclosed in the consolidated annual accounts for the period ended 31 December 2015 are expressed in thousands of Euros, which is the functional and presentation currency of the Parent Company.

c Comparative information

In accordance with the international financial reporting standards adopted by the European Union, the information contained in these consolidated financial statements corresponding to the period ended 31 December 2014 is presented for comparative purposes together with the information related to the 2015 period.

d

Relevant accounting estimates, assumptions and judgements used when applying accounting principles

The information included in the consolidated annual accounts is the responsibility of the Parent Company's Board of Directors.

Relevant accounting estimates and judgements, and other estimates and assumptions have to be made when applying the Group's accounting principles to prepare its consolidated annual accounts in accordance with IFRS-EU.

A summary of the items requiring a greater degree of judgement or which are more complex, or where the assumptions and estimates made are significant to the preparation of the consolidated financial statements, is as follows:

(i) Relevant accounting estimates and assumptions

- Calculation of fair value of investment properties (see note 7).
- Valuation allowances for bad debts and the review of individual balances based on customers' credit ratings, market trends and the historical analysis of bad debts at an aggregated level all require a high degree of judgement by the management (see note 12.a).
- Determination of the fair value of certain financial instruments (see note 9).
- Assessment of provisions and contingencies (see note 22).
- Financial risk management (see note 22).
- Calculation of fair value of share-bases payments or equity instruments (note 14.g).
- Compliance with the requirements that regulate SOCIMIs.

(ii) Changes in accounting estimates

Although estimates are calculated by the Parent Company's directors based on the best information available at 31 December 2015, future events may require changes to these estimates in subsequent years. The effect on the consolidated financial statements of any changes arising from the adjustments to be made in subsequent periods would be recognised prospectively, in accordance with the provisions of IAS 8.

e

Standards and interpretations adopted since 1 January 2015

The following mandatory standards and interpretations already adopted by the European Union entered into force in 2015 and, where applicable, have been used by the Group to prepare the accompanying consolidated annual accounts at 31 December 2015:

- IFRIC 21 Levies (taxes/encumbrance). This interpretation applies to the moment of recognition of liabilities for fees or taxes charged by the government, concluding that they must be recognised when the event that leads to the aforementioned recognition takes place. This event is normally the activity and the time identified by legislation as that which generates the levy, that is, of the taxable event and tax liability. The impact on the first implication of this regulation must be effected retroactively. The application of this regulation has had no material impact on the CFS of 2015.

f

Standards and interpretations issued but not effective at 1 January 2015

At the date of approval of these consolidated annual accounts, the following standards and interpretations had been issued by the IASB but had not yet entered into force, either because the date on which they become effective is subsequent to the date of the consolidated annual accounts or because they have not yet been adopted by the European Union:

(i) Approved for use in the European Union

- Amendment to IAS 19 Defined Benefit Plans: Employee Contributions (published in November 2013). The amendments are issued to clarify the requirements on how to allocate employee or third-party contributions linked to service periods. Effective for annual periods beginning on or after 1 February 2015.

- Improvements to IFRS Cycle 2010-2012 (published in December 2013). Minor amendments to a series of regulations. Effective for annual periods beginning on or after 1 February 2015.

- Amendment of IAS 16 and IAS 38 - Acceptable methods of depreciation and amortisation methods (published in May 2014). It clarifies the acceptable methods of tangible and intangible assets, not including those based on income. Effective for annual periods beginning on or after 1 January 2016.

- Amendment to IFRS 11 Accounting for acquisitions of interests in joint operations (published in May 2014). The amendment specifies how to account for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business. Effective for annual periods beginning on or after 1 January 2016.

- Amendment to IAS 16 and IAS 41 Production plants (published in June 2014). Production plants will be charged at cost instead of fair value. Effective for annual periods beginning on or after 1 January 2016.

- Improvements to IFRS Cycle 2012-2014 (published in September 2014). Minor amendments to a series of regulations. Effective for annual periods beginning on or after 1 January 2016.

- Amendment to IAS 27 Application of the equity method in Separate Financial Statements (published in August 2014). The equity method will be allowed in the individual financial statements of an investor. Effective for annual periods beginning on or after 1 January 2016.

- Amendments IAS 1: Breakdown initiative (December 2014). Various clarifications on breakdowns (materiality, bundling, order of notes, etc.) Effective for annual periods beginning on or after 1 January 2016.

(ii) Not yet approved for use in the European Union

- IFRS 15 Revenue from Contracts with Customers (published in May 2014). New revenue recognition standard (replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31). Effective for annual periods beginning on or after 01 January 2018.

- IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2018). This replaces the requirements for classification, measurement and derecognition of financial assets and financial liabilities and hedge accounting under IAS 39. Effective for annual periods beginning on or after 01 January 2018.

- IFRS 16 Leases (Published in January 2016). New leasing regulation that substitutes IAS 17. Tenants will include all leases on the balance sheet as if they were financed purchases. Effective for annual periods beginning on or after 01 January 2019.

(iii) Amendments and/or interpretations

- Amendments to IFRS 10 y IAS 28 (published in September 2014), on the sale or contribution of assets between an investor and its associate or joint venture. Effective for annual periods beginning on or after 01 January 2016.

- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Companies (December 2014). Clarifications on the exclusion from consolidation of investment companies.

- IFRS 14 Regulatory Deferral Accounts. Effective for annual periods beginning on or after 01 January 2016.

The Group is currently evaluating the impact that the future application of these standards could have on the consolidated annual accounts when they enter into force, a reasonable estimate of the effects not being possible until said analysis is complete. In the case of IFRS 16 (Leases), this regulation will substitute the current IAS 17 and will be applied as of 1 January 2019. Its main change is a sole accounting model for tenants, that will include all leases in the balance sheet (with limited exceptions) as if they were financed purchases, that is with an impact similar to that of current financial leases. Otherwise, in the case of lessors, a dual model will continue to be used, similar to that which is currently used under IAS 17.

g Changes to the composition of the group

2015 Period

In Note 4.e. and Appendix I of the consolidated annual accounts relevant information is provided regarding the Group companies that were consolidated and those that were included using the equity method.

During the 2015 period there have been the following changes to the scope of the consolidation:

- Acquisition of 50% of the share capital of the company Inmobiliaria Juan Bravo 3, S.L. on 30 January 2015 for the sum of EUR 1,707 thousand. The corporate object of this associate is real estate development and promotion and it is integrated into the consolidated financial statements using the equity method in accordance with IFRS 11, given that it constitutes a joint venture between the Parent Company and the other partner.

- In March 2015 the Parent Company acquired holdings representing 100% of the share capital of the companies: Global LE Logistic Alovera III y IV, S.L.U. (formerly called Global Tannenberg, S.L.U.), LE Logistic Almussafes, S.L.U. (formerly called Global Zohar, S.L.U.), LE Offices Joan Miró 21, S.L.U. (formerly called Global Meiji, S.L.U.) and LE Retail Hiper Ondara, S.L.U. (formerly called Global Brisulia, S.L.U.). The amount paid for each of them amounted to EUR 4 thousand.

- In May 2015 the Parent Company acquired holdings representing 100% of the share capital of the companies: LE Retail Sagunto, S.L.U. (formerly called Global Regimonte, S.L.U.) and LE Retail Megapark, S.L.U. (formerly called Global Morello, S.L.U.). The amount paid for each of them amounted to EUR 4 thousand.

- In July 2015 the Parent Company acquired holdings representing 100% of the share capital of the company LE Retail Galaria, S.L.U. (formerly called Global Misner, S.L.U.). The amount paid was EUR 4 thousand.

- In August 2015, the Parent Company incorporated the companies Lar España Shopping Centres VIII, S.L.U., Lar España Parque de Medianas III, S.L.U., Lar España Offices VI, S.L.U. and Lar España Inversión Logística IV, S.L.U. The share capital of each of them totalled EUR 3 thousand, which was fully subscribed and paid by the Parent Company.

- In September 2015, the Parent Company incorporated the Company LE Retail Villaverde, S.L.U. (formerly called Lar España Parque de Medianas Villaverde, S.L.U.). The share capital totalled EUR 3,000. The company shares are created with a business establishment bonus of EUR 3 thousand per share. The company shares and the business establishment bonus were fully paid by the Parent Company through a non-monetary contribution.

- In September 2015, the Parent Company incorporated the Company LE Offices Arturo Soria, S.L.U. (formerly called Lar España Offices Arturo Soria, S.L.U.). Share capital amounts to EUR 3 thousand. The company shares are created with a business establishment bonus of EUR 8 thousand per share. The company shares and the business establishment bonus were fully paid by the Parent Company through a non-monetary contribution.

- Nevertheless, the extraordinary general shareholders meeting of the Company held on 18 December 2015 approved, on an execptional basis, the acquisition by the Company of the Investment Manager's stake of 41,22% in Puerta Marittima Ondara, S.L which is expected to be executed during the first quarter of 2016.

With the exception of LE Retail Sagunto, S.L.U., the statutory activity of the companies mentioned in b-g above is the rental of properties on their own behalf. The statutory activity of LE Retail Sagunto, S.L.U. is real estate development.

All the companies incorporated in the scope of consolidation in 2015, with the exception of Inmobiliaria Juan Bravo 3, did not have any significant activity, assets or liabilities at the acquisition date.

Business combinations

a. In July 2015, the Parent Company acquired 100% of the shares of LE Retail El Rosal, S.L.U. (formerly called El Rosal Retail, S.L.U.)

The information on the acquired company and the consideration transferred in the business combination is as follows:

Company	Principal Activity	Date of acquisition	Percentage of shareholding (voting rights) acquired (%)	Transferred consideration (thousands of euros)
El Rosal Retail, S.L.U.	Leasing of property	07/07/2015	100	4,054

Thousands of euros	Carrying amount	Value adjustment	Fair value
Investment properties	80,532	6,968	87,500
Other assets	3,996	(589)	3,407
Non-current liabilities	(83,591)		(83,591)
Short-term liabilities	(1,521)		(1,521)
Total net assets	(584)	6,379	5,795
Transferred consideration			(4,054)
Profit from business combinations			1,741

The gain of Euros 1,741 thousand obtained in the business combination is recognised under the “Other revenues” heading on the Consolidated Statement of Comprehensive Income of these notes to the annual accounts.

On 7 July 2015 a private sales contract was signed, and notarised on said date, for the initial rate of EUR 3,459 thousand. Subsequently, on 11 December 2015, the price was increased by EUR 595 thousand due to a subsequent adjustment.

The assets attributed with the fair value are investment properties. The only asset of the acquired company is the El Rosal shopping centre located in Ponferrada (León), the fair value of which when purchased was EUR 87,500 thousand. Said asset is leased to several tenants, through lease contracts for the commercial premises that constitute the asset. Said rentals make up the sole source of income.

On the date of acquisition of the company, the Parent Company assumed the loan the acquired company held with the previous shareholder for the amount of EUR 28,335 thousand. Furthermore, on said date, the acquired company cancelled a mortgage debt it had with Hypothekenbank for the amount of EUR 54,266 thousand through the subscription of a new finance contract with Caixabank for the amount of EUR 50,000 thousand and a contribution by the Parent Company for the amount of EUR 4,266 thousand.

The fair value of acquired receivables, mainly of a commercial nature, totalled EUR 198 thousand and do not differ from their gross contractual amounts. At the acquisition date the Parent Company’s directors do not find any signs that these receivables will not be collected in their totality.

The net loss and income from leasing activities (without considering valuation adjustments to investment properties) incorporated in the 2015 period since the date of acquisition and included in the consolidated income statement for the 2015 period amount to EUR 414 thousand and EUR 2,854 thousand (including income from transfers), respectively.

If the acquisition had taken place on 1 January 2015, the income contributed to the Group would have increased by EUR 3,510 thousand. The Directors have used the income received from 1 January 2015 when determining said amount.

The net cash flow in the acquisition was:

Thousands of euros	
Cash paid:	
- For stakes	4,054
- For the acquired loan	28,335
Less: Cash and cash equivalents	(1,005)
TOTAL	**31,384**

b. In October 2015, the Parent Company acquired 100% of the shares Elisandra Spain VIII, S.L. from the Dutch company OCM Gaudí Master Holdco BV (a company controlled by Oaktree Capital Management).

The information on the acquired company and the consideration transferred in the business combination is as follows:

Company	Principal Activity	Date of acquisition	Percentage of shareholding (voting rights) acquired (%)	Transferred consideration (thousands of euros)
Elisandra Spain VIII, S.L.	Leasing of property	16/10/2015	100	3,149

Thousands of euros	Carrying amount	Value adjustment	Fair value
Investment properties	165,526	2,526	168,052
Other assets	5,847	-	5,847
Non-current liabilities	(168,235)	-	(168,235)
Short-term liabilities	(2,515)	-	(2,515)
	623	2,526	3,149
Transferred consideration	-	-	(3,149)
Profit and loss from the business combination	-	-	-

The Parent Company attributes to investments properties the difference from the business combination for the amount of EUR 2,526 thousand.

At the time of the sale Elisandra Spain VIII, S.L. owned an outlet shopping centre and single-tenant commercial properties park located at the Megapark Barakaldo commercial complex in Biscay.

On the date said company was acquired, the Parent Company acquired the loan the acquired company held with the previous shareholder for the amount of EUR 166,317 thousand and made the payment of interest accrued under said loan same was granted for the amount of EUR 1,536 thousand.

On 12 November 2015, the subsidiary LE Retail Megapark, S.L. (formerly called "Global Morello, S.L."), absorbed Elisandra Spain VIII, S.L.

The fair value of acquired receivables, mainly of a commercial nature, totalled EUR 7 thousand and do not differ from their gross contractual amounts. At the acquisition date the Parent Company's directors do not find any signs that these receivables will not be collected in their totality.

The profit (loss) and income from leasing activities (without considering valuation adjustments to investment properties) incorporated in the 2015 period since the date of acquisition and included in the consolidated income statement for the 2015 period amounted to EUR 715 thousand and EUR 2,097 thousand respectively.

If the acquisition thereof had taken place when the company began its activity (July 2015), the income contributed to the group would have increased by EUR 3,546 thousand and EUR 621 thousand, respectively, compared with these financial statements. The Directors have used the income received from 01 July 2015 when determining said amount.

The net cash flow in the acquisition would be:

Thousands of euros	
Cash paid:	
- For stakes	3,149
- For the acquired loan	167,853
Less: Cash and cash equivalents	(4,013)
TOTAL	**166,989**

2014 Period

The Parent Company was incorporated on 17 of January of 2014 (see note 1). During the same year the Parent Company incorporated the following subsidiaries: Lar España Inversión Logística, S.A.U., (currently called LE Logistic Alovera I y II, S.A.U.), Lar España Shopping Centres, S.A.U., (currently called LE Retail Hiper Albacenter, S.A.U.), Lar España Parque de Medianas, S.A.U., (currently called LE Retail Alisal, S.A.U.), y Lar España Offices, S.A.U., (currently called LE Offices Egeo, S.A.U.).

Additionally, during 2014 period the Parent Company acquired 100% of the shares of the companies Riverton Gestión, S.L.U., (currently LE Offices Eloy Gonzalo 27, S.A.U.) and Global Noctua S.L.U., (currently LE Retail As Termas, S.A.U.). The price paid was EUR 13,003 thousand and EUR 4 thousand respectively.

On 10 October and on 17 December 2014 the Parent Company acquired 50% of the shares of Lavernia Investments, S.L. and 58.78% of the shares of Puerta Marítima Ondara.

All acquisitions were done at fair value and no combinations differences arose.

3 Distribution of Profit

The proposed distribution of profit prepared by the Parent Company's directors, to be submitted to the shareholders for approval at their annual general meeting, is as follows:

Thousands of euros	
Basis o f allocation	
Profit for the year	5,006
Share premium	7,538
Distribution	
Legal reserve	501
Dividends	12,037
Voluntary reserve	6

4 Consolidation principles

Companies in which the Group holds a majority of voting rights in the representative or decision-making bodies, or which are effectively managed by the Group, are fully consolidated; jointly controlled entities managed with third parties are accounted for using the equity method.

The Group companies have been consolidated using the financial statements at 31 December 2015.

a Subsidiaries

Subsidiaries are entities, including structured entities, over which the Parent Company, either directly or indirectly through subsidiaries, exercises control. The Parent Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The Parent Company has power over a subsidiary when it has existing substantive rights that give it the ability to direct the relevant activities. The Parent is exposed, or has rights, to variable returns from its involvement with the subsidiary when its returns from its involvement have the potential to vary as a result of the subsidiary's performance.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The income, expenses and cash flows of subsidiaries are included in the consolidated financial statements from their acquisition date, which is the date on which the Group obtained effective control of the aforementioned subsidiaries. Subsidiaries are no longer consolidated from the date on which control is lost.

Transactions and balances with Group companies and unrealised gains or losses have been eliminated upon consolidation. Nevertheless, unrealised losses have been considered as an indicator of impairment of the assets transferred.

The subsidiaries' accounting policies have been adapted to Group accounting policies for like transactions and other events in similar circumstances.

The annual accounts or financial statements of the subsidiaries used in the consolidation process have been prepared as of the same date and for the same period as those of the Parent Company.

Details of the subsidiaries and relevant information thereon are presented in Appendix I to the notes on the consolidated annual accounts.

b

Joint Ventures

Joint ventures are understood as contractual agreements whereby two or more entities ("venturers") take part in entities (jointly controlled) or carry out operations or hold assets such that any strategic decision of a financial or operational nature that affects them requires the unanimous consent of all venturers.

In the consolidated annual accounts, joint ventures are measured using the equity method, which consists of incorporating the net asset value and goodwill, if any, of the investment held in the associate into the consolidated statement of financial position item, Equityaccounted investees. The net profit or loss for each year corresponding to the percentage of the investment in these companies is reflected in the consolidated statement of comprehensive income as Share in profit (loss) for the period of equity-accounted companies.

Details of the joint ventures and relevant information thereon are presented in Appendix I to the notes on the consolidated annual accounts.

c

Business combinations

The Group applies the acquisition method for business combinations. The acquisition date is the date on which the Group obtains control of the acquiree. The consideration transferred is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition costs such as professional fees are not included in the cost of the business combination and are recognised in the consolidated income statement.

The contingent consideration, where applicable, is measured at the acquisition-date fair value. Any subsequent change to the fair value of the contingent consideration is recognised in the consolidated income statement, unless the change occurs within the one-year period established as the provisional accounting period, in which case it is reflected as a change in goodwill.

Goodwill is calculated as the difference between the sum of the consideration transferred, plus non-controlling interests, plus the fair value of any previously held investment in the acquiree, less the acquiree's identifiable net assets.

Should the acquisition cost of identifiable net assets be below their fair value, the lesser amount shall be recognised in the consolidated statement of comprehensive income for the year.

d

Harmonisation of account items

The accounting policies of the Parent Company have been applied to all companies of the consolidated Group, in order to present the different items in the consolidated annual accounts in a standardised format. Therefore, in general, uniform measurement standards have been applied.

In 2015, the same date has been used for the accounting close of the annual accounts of all the companies included in the consolidated group, or the reporting dates have been temporarily standardised to match that of the Parent Company.

e

Consolidated group

The companies included in the consolidated Group and the consolidation method used at 31 December 2015 are as follows:

Leasing of property				
Company	Inclusion	Activity	% Participation	Consolidation method
Inmobiliaria Juan Bravo 3, S.L. (i)	On acquisition	Property leasing and development	50	Shareholding
LE Logistic Alovera I y II, S.A.U.	On incorporation	Leasing of property	100	Global
LE Logistic Alovera III y IV, S.L.U.	On acquisition	Leasing of property	100	Global
LE Logistic Almussafes, S.L.U.	On acquisition	Leasing of property	100	Global
LE Retail Hiper Ondara, S.L.U.	On acquisition	Leasing of property	100	Global
LE Offices Joan Miro 21, S.L.U.	On acquisition	Leasing of property	100	Global
LE Retail Megapark S.L.U.	On acquisition	Leasing of property	100	Global
LE Retail Sagunto S.L.U.	On acquisition	The acquisition and development of properties for lease	100	Global
LE Retail Galaria, S.L.U.	On acquisition	Leasing of property	100	Global
LE Retail Villaverde S.L.U.	On incorporation	Leasing of property	100	Global
LE Offices Arturo Soria, S.L.U.	On incorporation	Leasing of property	100	Global
LE Retail Alisal, S.A.U	On incorporation	Leasing of property	100	Global
Lavernia Investments, S.L. (i)	On acquisition	Property leasing and development	50	Shareholding
Puerta Marítima Ondara, S.L. (ii)	On acquisition	Leasing of property	58.78	Shareholding
LE Retail As Termas, S.L.U.	On acquisition	Leasing of property	100	Global
LE Offices Eloy Gonzalo 27, S.A.U.	On acquisition	Leasing of property	100	Global
LE Offices Egeo, S.A.U.	On incorporation	Leasing of property	100	Global
LE Retail Hiper Albacenter, S.A.U.	On incorporation	Leasing of property	100	Global
LE Retail El Rosal S.L.U.	On acquisition	Leasing of property	100	Global
Lar España Shopping Centres VIII, S.LU.	On incorporation	Leasing of property	100	Global
Lar España Offices VI, S.L.U.	On incorporation	Leasing of property	100	Global
Lar España Parque de Medianas III, S.L.U.	On incorporation	Leasing of property	100	Global
Lar España Inversión Logística IV, S.L.U.	On incorporation	Leasing of property	100	Global

Period 2014				
Company	Inclusion	Activity	% Participation	Consolidation method
Global Noctua, S.L.	On acquisition	Leasing of property	100	Global
Riverton Gestión, S.L.U.	On acquisition	Leasing of property	100	Global
Lar España Inversión Logística, S.A.	On incorporation	Leasing of property	100	Global
Lar España Shopping Centres, S.A.	On incorporation	Leasing of property	100	Global
Lar España Parque De Medianas, S.A.	On incorporation	Leasing of property	100	Global
Lar España Offices, S.A.	On incorporation	Leasing of property	100	Global
Lavernia Investments, S.L. (i)	On acquisition	Property leasing and development	50	Shareholding
Puerta Marítima Ondara, S.L. (ii)	On acquisition	Leasing of property	58.78	Shareholding

(i) Juan Bravo 3, S.L. and Lavernia Investments, S.L. are included in the consolidated financial statements using the equity method, in accordance with IFRS 11, because, as stipulated in the articles of association and shareholder agreements, they are jointly controlled by Lar España Real Estate SOCIMI, S.A. and LVS II LUX XIII, S.a.r.l.

(ii) Puerta Marítima Ondara, S.L. is included in the consolidated financial statements using the equity method, in accordance with IFRS 11, because, as stipulated in the articles of association and shareholder agreements, it is jointly controlled by the Parent Company and by Grupo Lar Inversiones Inmobiliarias, S.A.

5 Accounting principles

a Investment properties

Investment properties is property, including that which is under construction or being developed for future use as investment properties, which is earmarked totally or partially to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services, for administrative purposes within the Group or for sale in the ordinary course of business.

Assets classified as investment properties are in operation and occupied by various tenants. These properties are intended for lease to third parties. The directors of the Parent Company do not plan to dispose of these assets in the foreseeable future and have therefore decided to maintain these assets in the consolidated statement of financial position as investment properties.

Investment properties is presented at fair value at the reporting date and is not depreciated. Profits or losses derived from changes in the fair value of the investment properties are recognised when they arise.

Execution and finance costs are capitalised during the period in which the works are carried out. When the asset enters into service it is recognised at fair value.

When determining the fair value of its investment properties, the Group commissions' independent appraisers not related to the Group to appraise all of its assets at 30 June and 31 December of each financial year. Buildings are appraised individually, taking into consideration each of the lease contracts in force at the appraisal date. Buildings with areas that have not been rented out are appraised on the basis of estimated future rents, minus a marketing period.

b

Leases

(i) Classification of leases

The Group classifies leases as finance leases when substantially all the risks and rewards incidental to ownership of the leased asset are transferred to the lessee under the terms and conditions of the lease, otherwise they are classified as operating leases. The Group has not engaged in any finance lease transactions

(ii) Operating leases

- Lessor accounting records

  Assets leased to third parties under operating lease contracts are presented according to their nature.

  Operating lease income, net of incentives granted, is recognised in income on a straight-line basis over the lease term.

  Contingent rents are recognised as income when it is probable that they will be obtained, which is generally when the conditions agreed in the contract arise.

- Lessee accounting records

  Lease payments under an operating lease, net of incentives received, are recognised as an expense on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the lease's benefit.

  The Group recognises initial direct costs of operating leases as an expense when incurred.

  Contingent rents are recognised as an expense when it is probable that they will be incurred.

c

Financial instruments

(i) Classification of financial instruments

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument in IAS 32 Financial Instruments: Presentation.

The Group recognises financial instruments when it becomes party to the contract or legal transaction, in accordance with the terms set out therein.

Financial instruments are classified into the following categories: financial assets and liabilities at fair value with changes in profits and losses, separating those initially designated from those held for trading, loans and receivables, held-tomaturity investments, and financial liabilities at amortised cost. Financial instruments are classified into different categories based on the nature of the instruments and the Group's intentions on initial recognition.

(ii) Offsetting principles

A financial asset and a financial liability are offset only when the Group currently has the legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iii) Loans and receivables

This item comprises non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They mainly comprise security deposits received from lessees and placed with public bodies, bank deposits and accrued interest receivable on the deposits. These assets are classified as current unless they mature more than 12 months after the reporting date, in which case they are classified as non-current. Loans and receivables generated in exchange for cash deliveries or current transactions are included under financial assets with associates and trade and other receivables in the consolidated statement of financial position. And the security deposits and guarantees are shown under non-current financial assets or other current financial assets, according to when they mature.

These financial assets are initially measured at fair value, including directly attributable transaction costs, and subsequently carried at amortised cost, recognising accrued interest at the effective interest rate, which is the discount rate that matches the instrument's carrying amount with all estimated cash flows to maturity. Nevertheless, trade receivables falling due in less than one year are carried at their nominal amount on both initial recognition and subsequent measurement, provided that the effect of not discounting the cash flows is immaterial.

At least at year end, the necessary impairment losses are recognised when there is objective evidence that not all the amounts receivable will be collected.

(iv) Impairment and uncollectibility of financial assets

A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and the event or events have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

- Impairment of financial assets carried at amortised cost

  The amount of the impairment loss of financial assets carried at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For floating-rate financial assets, the effective interest rate corresponding to the measurement date under the contractual conditions is used.

  If the financial asset is secured by collateral, impairment is determined based on the present value of the cash flows that could be generated from the foreclosure of the asset, less costs of foreclosing and sale, discounted at the original effective interest rate. If the financial asset is not secured by collateral, the Group applies the same criteria when the foreclosure is considered probable.

  The Group recognises the impairment loss and uncollectibility of loans and receivables and debt instruments by recognising an allowance account for financial assets. When impairment and uncollectibility are considered irreversible, their carrying amount is eliminated against the allowance account.

  The impairment loss is recognised in profit and loss and may be reversed in subsequent periods if the decrease can be objectively related to an event occurring after the impairment has been recognised. The loss can only be reversed to the limit of the amortised cost of the assets had the impairment loss not been recognised. The reversal of the loss is recognised against the allowance account.

(v) Financial liabilities

Financial liabilities, including trade and other payables, are initially recognised at fair value, adjusted for directly attributable transaction costs, and subsequently carried at amortised cost using the effective interest method. The effective interest rate is the discount rate that matches the instrument's carrying amount with the expected future flow of payments to the maturity date of the liability.

Nevertheless, trade payables falling due in less than one year that have no contractual interest rate are carried at their nominal amount on both initial recognition and subsequent measurement, since the effect of discounting the cash flows is immaterial.

Loans to the Group maturing in more than one year are classified as non-current liabilities. According to the contractual terms between the Group and the financial institutions, interest payable is recognised as it accrues.

Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Derecognition and modifications of financial liabilities

The Group derecognises all or part of a financial liability when it either discharges the liability by paying the creditor, or is legally released from primary responsibility for the liability either by process of law or by the creditor.

The exchange of debt instruments between the Group and the counterparty or substantial modifications of initially recognised liabilities are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, providing the instruments have substantially different terms.

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

If the exchange is accounted for as an extinguishment of the financial liability, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

The difference between the carrying amount of a financial liability, or part of a financial liability, extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

d Derivative financial instruments and accounting of hedging transactions

The group uses derivative financial instruments to cover the risks to which its activities, operations and future cash flows are exposed. These risk are mainly changes in interest rates. Within the framework of said transactions the Group contracts economic hedging instruments.

In order for these financial instruments to be able to be classified as hedging instruments, they must be initially designated as such, and their hedging relationship must be recorded. Furthermore, the Company verifies initially as well as periodically throughout its life (at least at each reporting date) that the hedging relationship is effective, i.e. that it can be prospectively expected that the changes in cash flows of the hedged item (attributable to the hedged risk) will be compensated nearly entirely by the hedging instruments and that, retrospectively, the results of the hedge have varied within a range of 80% to 125% with respect to the result of the hedged item.

Derivatives are initially recorded at their acquisition cost in the consolidated statement of financial position and subsequently any necessary valuation allowances are effected to reflect their fair value from time to time. Profits and losses from these fluctuations are recorded in the consolidated income statement, unless the derivative has been designated a hedging instrument and is highly effective, in which case it is recorded as follows:

- Cash flow hedges: In this type of hedge, the part of the profit or loss from the hedging instrument that has been determined to be an effective hedge is temporarily recognised in net equity and is recognised in the income statement in the same period in which the hedged element affects the result, unless the hedge corresponds to an intended transaction that results in the recognition of a non-financial asset or liability, in which case the amounts recorded in net equity shall be included in the cost of the asset or liability when it is acquired or assumed.

- The accounting of hedges is interrupted when the hedging instrument matures, or is sold, finalised or exercised, or it ceases to meet the criteria for accounting hedges. At that time, any accumulated profit or loss corresponding to the hedging instrument that may have been recorded in net equity remains in net equity until the intended transaction occurs. When the hedged transaction is not expected to take place, the net accumulated profits or losses recognised in net equity are transferred to the net results of the period.

The fair value of the various derivative financial instruments is calculated using the valuation techniques described in the following note.

e Valuation techniques and assumptions applicable to fair value measure

Fair values of financial assets and liabilities are determined as follows:

- The fair values of financial assets and liabilities with standard terms and conditions that are traded on active markets and cash are determined by referencing the prices listed on the market.

- The fair value of other financial assets and liabilities (excluding derivative instruments) are determined according to the valuation models generally accepted on the cash flow discount basis using prices of observable market transactions and contributor quotes for similar instruments.

- The fair value of interest rate derivatives is calculated by updating future settlements between the fixed and variable rate, according to implicit market interest rates, which are obtained from long-term swap rate curves. Implicit volatility is used for the calculation through formulas for option pricing and for valuation of cap and floor fair values.

  Furthermore, in the valuation of the derivative financial instruments, the risk incidental to the hedged element or position must be effectively eliminated throughout the expected term of the hedge and the fact that the financial derivative was contracted specifically to hedge certain balances or transactions and the manner in which that effective hedge was expected to be achieved and measured must be documented. In addition, with the adoption of IFRS 13, the incidental risk requires that the credit risk of the parties involved in the contract, both one's own risk and that the discounted cash flow methodology, using a discount rate affected by the Group's own risk. of the counterparty, be included in the valuation of derivatives. The Group applied the financial instruments measured subsequent to their initial recognition at fair value are classified under levels 1-3, based on the degree to which the fair value is observable.

- Level 1: listed price (unadjusted) on active markets for identical assets or liabilities.

- Level 2: observable inputs other than the listed prices used in Level 1 for assets or liabilities, directly (i.e., such as prices) or indirectly (i.e., derived from prices).

- Level 3: assets referencing valuation techniques, including inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

The Group's financial assets and liabilities measured at fair value at 31 December 2015 are as

Miles de euros	Level 1	Level 2	Level 3	Total
Derivative financial liabilities (see note 17.c)	-	1,560	-	1,560
	-	1,560	-	1,560

Additionally, note 7 includes information regarding the determination of the fair value of investment properties, pursuant to valuation techniques described in said note.

follows:

f Treasury shares of the Parent Company

The Group's acquisition of equity instruments of the Parent Company is recognised separately at cost of acquisition in the consolidated statement of financial position as a reduction in equity, irrespective of the reason for the purchase. Any gains or losses on transactions with own equity instruments are not recognised.

The subsequent redemption of the equity instruments of the Parent Company entails a capital reduction equivalent to the par value of the shares. Any positive or negative difference between the purchase price and the par value of the shares is debited or credited to reserves.

Transaction costs related to own equity instruments are accounted for as a reduction in equity, net of any tax effect.

g Distributions to shareholders

Dividends are in cash and are recognised as a reduction in equity when approved by the shareholders.

The Parent Company files taxes under the special regime for SOCIMIs. Pursuant to article 6 of Law 11/2009 of 26 October 2009, amended by Law 16/2012 of 27 December 2012, SOCIMIs adopting the special tax regime are required to distribute profit for the period as dividends to shareholders, after settling all corresponding trading obligations. The dividend distribution must be agreed within six months after each period end and the dividend paid within one month from the date of the agreement.

Pursuant to Law 11/2009 of 26 October 2009, amended by Law 16/2012 of 27 December 2012, the Parent Company must distribute as dividends:

(i) 100% of profits deriving from dividends or shares of profits distributed by the entities referred to in article 2.1 of Law 11/2009.

(ii) At least 50% of the profits derived from the transfer of the properties and shares or equity investments referred to in article 2.1 of Law 11/2009, held for the purpose of complying with the principal statutory activity, realised once the periods mentioned in article 3.2 of Law 11/2009 have elapsed. The remainder of these profits must be reinvested in other properties or equity investments to be held for the purpose of complying with the statutory activity, within three years after the transfer date. Otherwise, these profits must be distributed in full together with any profits obtained during the period in which the reinvestment period expires. If the items in which the investment is made are transferred in the mandatory period during which they must be held, the associated profits must be distributed in full together with any profits obtained during the period in which the items were transferred. The mandatory distribution of profits does not apply to any portion of profits attributable to periods in which the Parent Company will not be taxed under the special regime provided for by that law.

(iii) At least 80% of the remaining profits obtained. When the distribution of dividends is charged to reserves deriving from profits for a period to which the special tax regime has been applied, the distribution must be carried out as described above.

h Inventories

Inventories are measured at cost of purchase.

The purchase price comprises the amount invoiced by the seller, after deduction of any discounts, rebates or other similar items.

When the cost of inventories exceeds net realisable value, materials are written down to net realisable value, which is understood to be the estimated selling cost less costs to sell.

At 31 December 2014 the Group held inventories comprising several parking spaces linked to a property development transaction intended for sale. On 7 July 2015 Inmobiliaria Juan Bravo 3, S.L., held 50% by Lar España Real Estate SOCIMI, S.A., acquired the parking spaces, which had no significant result. At 31 December 2015 the Group did not hold inventories.

i Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits in financial institutions. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a maturity of less than three months from the date of acquisition.

j Employee benefits

Short-term employee benefits comprise employee remuneration other than termination benefits that are expected to be settled wholly before 12 months after the end of the reporting period in which the employees render the related services.

Short-term employee benefits shall be reclassified as long-term if the characteristics of the remuneration are modified or if the expectations regarding settlement change with regard to a non-timing related aspect.

The Group recognises the expected cost of profit-sharing and bonus plans when it has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

k Share-based payments

The Group recognises, on one hand, goods and services received as an asset or as an expense, according to the nature thereof, when same is received, and on the other hand, the corresponding increase under Equity, if the transaction is settled with equity instruments or the corresponding liability if the transaction is settled with an amount that is based on the value of the equity instruments.

For transactions that are settled with equity instruments, both the services and the increase in equity are measured at the fair value of the received services.

At 31 December 2015 the Parent Company, pursuant to the terms agreed in the Investment Management Group with Grupo Lar Inversiones Inmobiliarias, S.A., will grant Grupo Lar Inversiones Inmobiliarias, S.A. this Performance Fee, which is paid thereto annually depending on the profitability obtained by the shareholders of the Parent Company (see note 14.g and 27.a).

l Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision in the consolidated statement of financial position is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account all risks and uncertainties surrounding the amount to be recognised as a provision and, where the time value of money is material, the financial effect of discounting, provided that the expenditure to be made each period can be reliably estimated. The discount rate is a pre-tax rate that reflects the time value of money and the specific risks for which future cash flows associated with the provision have not been adjusted at each reporting date.

Single obligations are measured using the individual most likely outcome. When the provision involves a large population of identical items, the obligation is estimated by weighting all possible outcomes by their associated probabilities. Where there is a continuous range of possible outcomes, and each point in that range is as likely as any other, the mid-point of the range is used.

The financial effect of provisions is recognised as a finance cost in profit and loss.

The tax effect and expected gains on the disposal of assets are not taken into account in measuring a provision.

If it is not probable that an outflow of resources will be required to settle an obligation, the provision is reversed. The provision is reversed against the consolidated income statement item in which the related expense was recognised, and any surplus is accounted for in other income.

m Revenue recognition

Revenue from leases is recognised at the fair value of the consideration received or receivable.

Discounts are recognised by allocating the total amount of rent waived during the rentfree period or of the bonus on a straight-line basis over all the periods in which the tenant's contract is in force.

Should the rental contract end sooner than expected, the unrecognised portion of the waived rent or bonus will be recorded in the last period prior to contract termination.

(i) Lease of investment properties to third parties

The principal activity of the companies that form the Group consists of the acquisition and management of shopping centres and offices. However, they may invest on a smaller scale in other assets for rent or for direct sale (commercial premises, logistics bays, logistics centres or residential products). Group revenues originate from the lease of this investment properties to third parties.

Revenues derived from the lease of investment properties are recognised by reference to the stage of completion at the reporting date when the outcome of the transaction can be estimated reliably. The Group companies recognise revenue from leases on a monthly basis in accordance with the terms and amounts agreed in the different agreements entered into with their tenants. This revenue is recognised only when it can be measured reliably and it is probable that the economic benefits associated with the lease will be received.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of costs incurred that are recoverable.

Invoices issued to tenants include EUR 10,016 thousand for communal charges (shared utility costs, services, etc.) passed on to them (EUR 2,713 thousand in the period of eleven months and fourteen days ended on 31 December 2014). This amount is presented, according to its nature, net of the corresponding expenses under other expenses in the accompanying consolidated statement of comprehensive income for the period ended 31 December 2015.

The Group regularly assesses whether any service contracts are onerous and, where applicable, recognises the necessary provisions.

n Income tax

(i) General regime

The income tax expense or tax income for the year comprises current and deferred tax.

Current tax reflects income tax settlements payable for the year. Deductions and other tax relief applicable to payable taxes, excluding withholdings and payments on account, and tax loss carryforwards applied in the current reporting period are accounted for as a reduction in current tax.

Deferred tax income or expenses derive from the recognition and cancellation of deferred tax assets and liabilities. These include temporary differences, which are defined as the amounts which are expected to be paid or recovered in the future for differences between the carrying amount of assets and liabilities and their tax value, as well as tax loss carryforwards and tax deductions pending application. These amounts are recognised by applying the rate of tax at which they are expected to be recovered or settled.

(ii) Tax regime for SOCIMIs

The Parent Company and the subsidiaries file tax returns under the special regime for SOCIMIs. This tax regime, following the amendment introduced by Law 16/2012 of 27 December 2012, is based on paying a corporate income tax rate of 0%, provided certain requirements are met. Among these, it bears mentioning that at least 80% of their assets must comprise urban properties for rental under outright ownership or through shares in companies fulfilling these same investment and profit distribution criteria, whether Spanish or foreign and whether quoted in an organised securities market or not. Similarly, the main source of income for these companies must be the real estate market, whether through rentals, the subsequent sale of properties following a minimum rental period, or income from shareholdings in companies of a similar nature. Nevertheless, tax is accrued proportionately to the dividends distributed. Dividends received by shareholders are exempt from tax, unless the recipient is a legal entity subject to corporate income tax or a permanent establishment of a foreign entity, in which case a deduction is applied to the tax payable so that this income is taxed at the tax rate applicable to the shareholder. However, the remaining income is not subject to taxation provided it is not distributed among shareholders.

Pursuant to the ninth transitional provision of Law 11/2009 of 26 October 2009, amended by Law 16/2012 of 27 December 2012, governing SOCIMIs, the entity shall be subject to a special tax rate of 19% on the total amount of dividends or shares in profits distributed among shareholders with an interest in the entity exceeding 5%, when such dividends are tax-exempt or are taxed at a rate of less than 10% at the shareholders' seat of economic activity. The Group has established a procedure whereby shareholders confirm their tax status and, where applicable, 19% of the amount of the dividend distributed among the shareholders that do not meet the aforementioned tax requirements is withheld.

o Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision-maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

p Classification of assets and liabilities as current and non-current

The Group classifies assets and liabilities in the consolidated statement of financial position as current and non-current. Current assets and liabilities are determined as follows:

- Assets are classified as current when they are expected to be realised or are intended for sale or consumption in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are expected to be realised within 12 months after the reporting date or are cash or a cash equivalent, unless the assets may not be exchanged or used to settle a liability for at least 12 months after the reporting date.

- Liabilities are classified as current when they are expected to be settled in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are due to be settled within 12 months after the reporting date or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

q Insurance contracts

The Group is insured against civil liability and against damage to the investment properties in operation or under construction. In addition, the Group has taken out insurance in connection with the members of the board of directors and senior management.

r

Environmental information

The Group takes measures to prevent, reduce and repair the damage caused to the environment by its activities.

Expenses derived from environmental activities are recognised as operating expenses in the period in which they are incurred. However, due to its nature, the Group's activity does not have a significant impact on the environment.

s

Cash flows

The statement of cash flows has been prepared using the indirect method and the following expressions and definitions:

- Cash flows: inflows and outflows of cash and cash equivalents, the latter being short-term, highly liquid investments not subject to significant risk of changes in value.

- Operating activities: the usual activity of the Group and other activities that cannot be classified as investing or financing activities.

- Investing activities: the acquisition, sale or other disposal of non-current assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that result in changes in the size and composition of equity and of liabilities that do not form part of operating activities.

6 Segment Reporting

The Group is organised internally into operating segments, with four distinct lines of business: shopping centres (which comprises the rental of shopping centre and single-tenant commercial premises), offices (constituting the office rental business), logistics (the logistics bay rental business), and residential. These are the strategic business units.

At 31 December 2015 the Group comprises the operating segments listed below, with the following revenues and principal services:

- Shopping centres: Txingudi, Las Huertas, Albacenter hypermarket, Anec Blau, Villaverde, Stakes in the affiliated company Puerta Marítima Ondara, S.L. (the owner of the Portal de la Marina shopping centre), Albacenter, Nuevo Alisal, As Termas, Portal de la Marina hypermarket, El Rosal, Cruce de Caminos, As Termas petrol station, Parque Galaria and Parque Comercial Megapark Barakaldo.
- Office buildings: Arturo Soria, Marcelo Spínola, Egeo, Eloy Gonzalo and Joan Miró.
- Logistics: Alovera I, Alovera II, Alovera III (C2), Alovera IV (C5-C6) and Almussafes.
- Residential: Stakes in the affiliated companies Lavernia Investments, S.L. and Inmobiliaria Juan Bravo 3, S.L., owners at 31 December 2015 of a building in Calle Claudio Coello (see note 30) and a plot in Calle Juan Bravo in Madrid, respectively.

The profit generated by each segment and by each asset within each segment is used as a measure of its performance because the Group considers that this is the most relevant information by which to assess the profits generated by specific segments as compared with other groups which operate in these businesses.

Details of these activities by segment at 31 December 2015 and 31 December 2014 are shown below:

2015

Thousands of Euros	Shopping centres	Office buildings	Logistics	Residential (Stakes in affiliated companies)	Head Office and Central Services*	Total
Revenue from external customers:						
Revenue from leases	23,588	6,771	5,375	-	-	35,734
Total revenues	**23,588**	**6,771**	**5,375**	**-**	**-**	**35,734**
Other income	3,084	218	23	49	-	3,374
Changes to the fair value of investment properties	16,023	4,536	5,419	-	-	25,978
Personnel expense	-	-	-	-	(396)	(396)
Operating expens	(3,937)	(1,101)	(416)	(10)	(14,549)	(20,013)
Operating profit	38,758	10,424	10,401	39	(14,945)	44,677

Net finance cost	(1,370)	(660)	6	1,559	(3,218)	(3,683)
Impairment and gains/(losses) on disposal of financial instruments	(29)	-	-	-	-	(29)
Profit /(loss) for the year of joint ventures, accounted for using the equity method	5,515	-	-	(2,921)	-	2,594
	42,874	**9,764**	**10,407**	**(1,323)**	**(18,163)**	**43,559**

** The line item Head Office and Central Services and other essentially comprises the income and expense that cannot be attributed to any specific asset.*

2014

Miles de Euros	Shopping centres	Office buildings	Logistics	Head Office and Central Services*	Total
Revenue from external customers:					
Revenue from leases	6,298	1,115	1,193	-	8,606
Total revenues	**6,298**	**1,115**	**1,193**	**-**	**8,606**
Other income	217	-	-	-	217
Changes to the fair value of investment properties	462	(27)	7	-	442
Personnel expenses	-	-	-	(108)	(108)
Operating expenses	(2,772)	(374)	(125)	(3,960)	(7,231)
Operating profit (Operating loss)	4,205	714	1,075	(4,068)	1,926
Net finance cost	**(195)**	**(324)**	**-**	**2,391**	**1,872**
Profit /(loss) for the year of joint ventures, accounted for using the equity method	**(342)**	**-**	**-**	**-**	**(342)**
	3,668	**390**	**1,075**	**(1,677)**	**3,456**

** The line item Head Office and Central Services and other essentially comprises the income and expense that cannot be attributed to any specific asset.*

31 December 2015 Thousands of Euros	Shopping centres	Office buildings	Logistics	Residential (Stakes in affiliated companies)	Head Office and Central Services*	Total
Intangible assets	1	-	-	-	-	1
Investment properties	556,235	149,750	70,390		-	776,375
Financial assets with associates	-	-	-	16,774	-	16,774
Equity-accounted investees	24,324	-	-	18,893		43,217
Non-current financial assets	6,162	1,230	1,083	-	-	8,475
Total non-current assets	**586,722**	**150,980**	**71,473**	**35,667**	**-**	**844,842**
Trade and other receivables	4,429	195	23	-	-	4,647
Financial assets with associates	-	-	-	25,179	1,538	26,717
Other current financial assets	1,676	-	-		6	1,676
Other current assets	95	4	-		-	136
Cash and cash equivalent	-	-	-		35,555	35,555
Total current assets	**6,628**	**195**	**95**	**25,179**	**37,099**	**69,196**
TOTAL ASSETS	**593,350**	**151,175**	**71,568**	**60,846**	**37,099**	**914,038**

31 December 2015 Thousands of Euros	Shopping centres	Office buildings	Logistics	Residential (Stakes in affiliated companies)	Head Office and Central Services*	Total
Financial liabilities from issue of bonds and other marketable securities	-	-	-	-	141,737	141,737
Loans and Borrowings	101,666	52,323	-	24,958	-	178,947
Derivatives	1,560	-	-	-	-	1,560
Other non-current liabilities	8,089	1,575	1,110	-	-	10,774
Trade and other payables	3,255	1,579	471	-	2,498	7,803
Other financial liabilities	1,558	-	-	1,093	-	2,651
TOTAL LIABILITIES	**116,128**	**55,477**	**1,581**	**26,051**	**144,235**	**343,472**

2014 Thousands of Euros	Shopping centres	Office buildings	Logistics	Head Office and Central Services	Total
Investment properties	189,053	122,870	46,071	-	357,994
Equity-accounted investees	18,087	-	-	-	18,087
Non-current financial assets	2,029	964	848	-	3,841
Total non-current assets	**209,169**	**123,834**	**46,919**	**-**	**379,922**
Inventories	-	-	-	2,843	2,843
Trade and other receivables	1,171	89	-	710	1,970
Other current financial assets	-	-	-	32,032	32,032
Other current assets	95	4	-	37	136
Cash and cash equivalents	-	-	-	20,252	20,252
Total current assets	**1,266**	**93**	**-**	**55,874**	**57,233**
TOTAL ASSETS	**210,435**	**123,927**	**46,919**	**55,874**	**437,155**

2014 Thousands of Euros	Shopping centres	Office buildings	Logistics	Head Office and Central Services	Total
Loans and Borrowings	7,822	30,000	-	-	37,822
Other non-current liabilities	3,163	1,084	896	-	5,143
Trade and other payables	1,145	1,909	176	1,449	4,679
Other current liabilities	-	-	-	18	18
TOTAL LIABILITIES	**12,130**	**32,993**	**1,072**	**1,467**	**47,662**

a Geographical segments

Revenues and assets per geographical segment are presented on the basis of the location of the assets.

The table below summarises revenues and investment properties for each of the assets owned by the Group in each geographical region:

31 December 2015 Thousands of Euros	Revenue	%	Investment properties	%
País Vasco	4,400	12.31	202,100	26.03
Cataluña	6,457	18.07	105,330	13.57
Castilla la Mancha	8,439	23.62	106,659	13.74
Castilla y León	3,789	10.60	101,300	13.05
Comunidad de Madrid	6,886	19.27	139,161	17.92
Cantabria	1,277	3.57	17,202	2.22
Galicia	3,441	9.63	70,345	9.06
Navarra	300	0.84	9,500	1.22
Comunidad Valenciana	745	2.09	17,398	2.24
Others	-	-	7,380	0.95
	35,734	**100.00**	**776,375**	**100.00**

31 December 2014 Thousands of Euros	Revenue	%	Investment properties	%
País Vasco	1,887	21.93	28,500	7.96
Cataluña	2,377	27.62	81,310	22.71
Castilla la Mancha	2,070	24.05	86,962	24.29
Castilla y León	776	9.02	12,000	3.35
Comunidad de Madrid	1,446	16.80	132,215	36.94
Cantabria	50	0.58	17,007	4.75
	8,606	**100.00**	**357,994**	**100.00**

The Group carries out its activity entirely in Spain.

b Main customers

This item presents details of the tenants that contributed the most rental revenues during 2015, as well as the main characteristics of each one:

Ranking	Trade name	Project	% of total rental income	% Accumulated	Expiry *	Sector
1	Centros Comerciales Carrefour, S.A.	Alovera II/El Rosal	11.45	11.45	2017-2028	Distribution
2	Ingeniería y Economía del Transporte, S.A.	Egeo	7.66	19.11	2021	Transport
3	Media Markt	Villaverde/As Termas/ Nuevo Alisal/Megapark	5.16	24.27	2022-2036	Technology
4	Tech Data España, S.L.U	Alovera I	2.57	26.84	2019	Technology
5	Cecosa Hipermercados, S.L.	Hiper Albacenter/Gasolinera As Termas/Hiper Ondara	2.24	29.08	2024-2060	Distribution
6	C&A Modas, S.L.	El Rosal/As Termas/Megapark/ Anec Blau/Txingudi	2.02	31.10	2015-2025	Textile/ Fashion
7	Toys R Us Iberia, S.A.	Nuevo Alisal/Megapark	1.78	32.88	2036	Distribution
8	Zara España S.A.	El Rosal/As Termas/Anec Blau	1.71	34.59	2025-2030	Textile/ Fashion
9	Cortefiel, S.A.	El Rosal/Megapark/As Termas/ Anec Blau/Albacenter/Las Huertas/ Txingudi	1.54	36.13	2017-2025	Textile/ Fashion
10	Segurcaixa Adeslas, S.A.	Arturo Soria	1.45	37.58	2020	Insurance

(*) The information above references the contracts that were in force during the 2015 financial year, with there being contracts that expired at 31 December 2015. Furthermore, the expiry of contracts refers to the final date of the contract, although the contract may have the option for early termination.

7 Investment Properties

At 31 December 2015 the investment properties owned by the Group comprises 9 shopping centres, 5 office buildings, 18 single-tenant commercial properties (14 corresponding to Megapark Barakaldo) and 5 logistics bays, and the land on which these are located, which are held to obtain rental income and are not occupied by the Group.

The composition and movements that had occurred in the accounts included under the heading "Investment properties" in the condensed consolidated financial statements at 31 December 2015 and 2014 were as follows:

Thousands of Euros	31.12.2015	31.12.2014
Balance at the beginning of the period	357,994	-
Additions for the period	136,851	357,552
Change to the scope of the consolidation (see note 2.g and 4.c)	255,552	-
Changes in fair value	25,978	442
Balance at the end of the period	776,375	357,994
FAIR VALUE	**776,375**	**357,994**

Investment properties are presented at fair value.

The Group has recognised the following investment properties at its fair value at 31 December 2015 and 31 December 2014:

Investment properties held Thousands of Euros	31.12.2015	31.12.2014
Shopping centres and single-tenant commercial properties	556,235	189,053
Office buildings	149,750	122,870
Logistics bays	70,390	46,071
	776,375	**357,994**

Registrations and additions from business combinations in 2015 and 2014 are as follows:

Type of asset Thousands of Euros	**Company**	**Cost of purchase**	**Fair value at 31 December 2015**
Office building	Joan Miró	20,011	20,440
Logistics bay	Alovera III (C2)	3,060	3,250
Logistics bay	Alovera IV (C5-C6)	7,324	7,500
Logistics bay	Almussafes	8,517	8,500
Shopping centre	As Term	68,339	68,500
Petrol station	As Term	1,836	1,845
Single-tenant commercial premises	Galaria	8,485	9,500
Shopping centre	Portal de la Marina hypermarket	7,140	7,750
Shopping centre	El Rosal	87,500	89,600
Shopping centre	Megapark	168,052	171,400
Shopping centre	Cruce de Caminos (*)	1,000	1,148
Shopping centre	Others(*)	7,380	7,380
		388,644	**396,813**

(*) Advances given for the binding purchase of investment properties.

The effect of valuing Investment Properties at fair value at 31 December 2015 amounted to EUR

Type of asset Thousands of Euros	Company	Cost of purchase	Fair value at 31 December 2014
Shopping centre	Txingudi	27,811	28,500
Shopping centre	Las Huertas	12,031	12,000
Office building	Arturo Soria	24,563	24,690
Single-tenant commercial premises	Villaverde	9,328	9,345
Shopping centre	Anec Blau	81,290	81,310
Shopping centre	Albacenter	28,968	29,103
Office building	Marcelo Spinola	19,539	19,300
Shopping centre	Albacenter hypermarket	11,823	11,788
Single-tenant commercial premises	Nuevo Alisal	17,340	17,007
Office building	Egeo building	65,874	65,980
Office building	Eloy Gonzalo building	12,921	12,900
Logistics bay	Alovera I	12,929	12,900
Logistics bay	Alovera II	33,135	33,171
TOTAL		**357,552**	**357,994**

25,978 thousand, of which EUR 17,089 thousand correspond to Investment Properties owned by the Company at the 2014 reporting date.

Furthermore, during the 2015 period expenses were capitalised for the amount of EUR 3,759 thousand (EUR 424 thousand in 2014). At 31 December 2015, investment properties that has been pledged as collateral for bonds and various loans had a fair value of EUR 554,602 thousand (EUR 82,987 thousand at 31 December 2014). The outstanding amount of said loans at 31 December 2015 totalled EUR 395,246 thousand (EUR 37,822 thousand at 31 December 2014). The Group has no agreements for the use of investment properties, attachment orders thereon or analogous situations.

At 31 December 2015 all buildings comprising investment properties are insured. These policies are considered to be sufficiently covered.

At 31 December 2015, the Group had binding commitments to purchase investment properties to acquire land for the amount of EUR 39,414 thousand.

(i) Disclosures on the fair value of investment properties

Details of the assets measured at fair value and the hierarchy in which they are classified are as follows:

Recurrent fair value measurements 2015 Thousands of Euros	Total	Level 1	Level 2	Level 3
Investment properties				
Shopping centres				
- Land	187,333	-	-	187,333
- Buildings	368,902	-	-	368,902
Office buildings				
- Land	72,412	-	-	72,412
- Buildings	77,338	-	-	77,338
Logistics bays				
- Land	11,995	-	-	11,995
- Buildings	58,395	-	-	58,395
TOTAL ASSETS MEASURED RECURRENTLY AT FAIR VALUE	**776,375**	**-**	**-**	**776,375**

Recurrent fair value measurements 2014 Thousands of Euros	Total	Nivel 1	Nivel 2	Nivel 3
Investment properties				
Shopping centres				
- Land	73,096	-	-	73,096
- Buildings	115,957	-	-	115,957
Office buildings				
- Land	63,023	-	-	63,023
- Buildings	59,847	-	-	59,847
Logistics bays				
- Land	4,995	-	-	4,995
- Buildings	41,076	-	-	41,076
TOTAL ASSETS MEASURED RECURRENTLY AT FAIR VALUE	**357,994**	**-**	**-**	**357,994**

No assets have been transferred between the different levels during the period.

At 31 December 2015 and 2014, details of the gross lettable area and occupancy rate by line of business are as follows:

2015 (Square metres)	Gross lettable area	Occupancy rate
Shopping centres and single-tenant commercial property	248,762	92.4
Office buildings (*)	41,758	92.9
Logistics bays	161,840	100

(*) The Marcelo Spínola Building is not included as it is being renovated.

2014 (Square metres)	Gross lettable area	Occupancy rate
Shopping centres and single-tenant commercial property	84,904	90.20
Office buildings (*)	41,732	83.10
Logistics bays	119,147	91.74

The fair value of the investment properties was determined by professionally accredited external independent appraisal companies with recent experience in the locations and categories of the properties being appraised. Independent appraisal companies determine the fair value of the Group's investment properties portfolio every six months.

The appraisal of this investment is conducted in accordance with the statements of the RICS Valuation - Professional Standards published by The Royal Institution of Chartered Surveyors ("Red Book"), based in the United Kingdom.

The methodology used to calculate the market value of investment assets consists of preparing 10 years' worth of income and expense projections for each asset, which will subsequently be updated at the reporting date using a market discount rate. The residual amount at the end of year 10 is calculated applying a rate of return ("exit yield" or "cap rate") to the net income projections for year 10. The market values thus obtained are analysed by calculating and analysing the yield capitalisation implicit in these values. The projections are aimed at reflecting the Group's best estimate, reviewed by the appraiser, of the future income and expenses of the real estate assets. Both the rate of return and the discount rate are defined in accordance with local property companies and considering the conditions prevailing in the institutional market, and the reasonableness of the market value thus obtained, which is tested in terms of initial gain.

The appraisal company that performed the valuations of the Group's investment properties at 31 December 2015 is listed below:

	Appraisal Company
Txingudi shopping centre	Cushman & Wakefield
Las Huertas shopping centre	Cushman & Wakefield
Arturo Soria office building	Jones Lang Lasalle España, S.A.
Single-tenant commercial premises Villaverde	Jones Lang Lasalle España, S.A.
Anec Blau shopping centre	Jones Lang Lasalle España, S.A.
Albacenter shopping centre	Jones Lang Lasalle España, S.A.
Cardenal Marcelo Spínola office building	Cushman & Wakefield
Albacenter hypermarket	Jones Lang Lasalle España, S.A.
Single-tenant commercial premises Nuevo Alisal	Jones Lang Lasalle España, S.A.
Egeo building	Jones Lang Lasalle España, S.A.
Eloy Gonzalo building	Cushman & Wakefield
Alovera I logistics bay	Cushman & Wakefield
Alovera II logistics bay	Jones Lang Lasalle España, S.A.
As Termas shopping centre	Cushman & Wakefield
As Termas Petrol Station	Cushman & Wakefield
Megapark shopping centre	Cushman & Wakefield
Single-tenant commercial property Galaria	Cushman & Wakefield
Alovera III (C2) logistics bay	Cushman & Wakefield
Alovera IV (C5-C6) logistics bay	Cushman & Wakefield
Almussafes logistics bay	Cushman & Wakefield
Portal de la Marina hypermarket	Cushman & Wakefield
El Rosal shopping centre	Jones Lang Lasalle España, S.A
Cruce de Caminos shopping centre	Jones Lang Lasalle España, S.A
Joan Miró building	Jones Lang Lasalle España, S.A

Fees paid by the Group to the appraisal companies for valuations in the 2015 and 2014 years are as follows:

Thousands of Euros	2015 Period	2014 Period
Appraisal services	129	39
	129	**39**

The main assumptions used to calculate the fair value of the real estate assets at 31 December 2015 and 2014 are as follows:

31 December 2015	Net Initial Yield	Discount rate
Shopping centres and single-tenant commercial properties	5.97% - 6.88%	8.25% - 12.12%
Office buildings (*)	4.63% - 5.19%	8.48% - 8.91%
Logistics bays	7.85% - 9.52%	9.68% - 12.00%

(*) The Marcelo Spínola Building is not included as it is being renovated.

31 December 2014	Net Initial Yield	Discount rate
Shopping centres and single-tenant commercial properties	6.12% - 7.59%	9.2% - 12.18%
Office buildings (*)	5.4%-5.62%	5.6% – 7.89%
Logistics bays	7.97%	9.29%

The effect of the required quarter-point change in the rates of return, calculated as income over the market value of assets, on the consolidated asset and the consolidated income statement, with respect to the investment properties, would be as follows:

Thousands of Euros	Assets	Consolidated profit
Increase in rate of return by a quarter point	(25,663)	(25,663)
Decrease in rate of return by a quarter point	27,336	27,336

Details of changes in fair value of investment properties in the income statement at 31 December 2015 are as follows:

Thousands of Euros	
Shopping centres and single-tenant commercial property	16,023
Office buildings	4,536
Logistics bays	5,419
	25,978

8 Operating leases – Lessor

At 31 December 2015 the Group has leased the shopping centres, office buildings and singletenant commercial properties and logistics bays to third parties under operating leases.

The occupancy rates of the buildings for lease at 31 December 2015 and 2014 are as follows:

Occupancy rate	31.12.2015	31.12.2014
Shopping centres and single-tenant commercial property	92.4	90.20
Office buildings (*)	92.9	83.10
Logistics bays	100.0	91.74

(*) The Marcelo Spínola Building is not included as it is being renovated.

The revenues and fair value of each asset are detailed in the table below:

Thousands of Euros	Shopping centres															Total
	Txingudi	Huertas	Albacenter	Albacenter hypermarket	Anec Blau	Villaverde	Nuevo Alisal	As Termas	As Termas Petrol station	Portal de la Marina hypermarket	Cruce de Caminos	El Rosal	Galaria	Megapark	Others	
Revenue	2,303	935	2,471	1,042	5,792	780	1,277	3,393	48	296	-	2,854	300	2,097	-	**35,734**
Fair value	30,700	11,700	32,332	12,437	84,890	9,851	17,202	68,500	1,845	7,750	1,148	89,600	9,500	171,400	7,380	**776,375**

Thousands of Euros	Offices					Total
	Egeo	Cardenal Marcelo Spinola	Arturo Soria	Eloy Gonzalo	Joan Miró	
Revenue	155	321	638	-	665	**35,734**
Fair value	65,980	19,300	24,690	12,900	20,440	**776,375**

Thousands of Euros	Logistics bays					Total
	Alovera I	Alovera II	Alovera III (C2)	Alovera IV (C5-C6)	Almussafes	
Revenue	449	744	161	447	449	**35,734**
Fair value	12,900	33,171	3,250	7,500	8,500	**776,375**

Thousands of Euros	Shopping centres							Offices				Logistics bays		Total
	Txingudi	Huertas	Albacenter	Hiper Albacenter	Anec Blau	Villaverde	Nuevo Alisal	Egeo	Marcelo Spínola	Arturo Soria	Eloy Gonzalo	Alovera I	Alovera II	
Revenue	1,888	776	862	15	2,377	331	50	155	321	638	-	449	744	**8,606**
Fair value	28,500	12,000	29,103	11,788	81,310	9,345	17,007	65,980	19,300	24,690	12,900	12,900	33,171	**357,994**

The lease contracts between the Group and its customers stipulate a fixed rent and, where applicable, a variable rent based on the performance of the tenants' activity.

The accrued revenues shown in the preceding table refer to the rental income from shopping centres, single-tenant commercial properties, office buildings and bays accrued in the 2015 period.

Future minimum payments receivable under non-cancellable operating leases are as follows:

Thousands of Euros	31.12.2015	31.12.2014
Less than one year	47,276	23,581
One to five years	101,192	34,126
Over five years	79,579	19,801
	228,047	**77,508**

9 Equity-accounted investees

Movement in the 2015 and 2014 periods in equity-accounted investees was as follows:

Thousands of Euros	31.12.2015	31.12.2014
Balance at the beginning of the period	18,087	-
Additions in the period	22,367	882
Change to the scope of the consolidation (see note 2.g)	1,707	17,547
Dividends approved in the year	(1,538)	-
Profit for the Period	2,594	(342)
Balance at the end of the period	**43,217**	**18,087**

The breakdown by company at 31 December 2015 of equity-accounted companies as well as the result attributable to the Group is as follows:

	31.12.2015		31.12.2014	
Thousands of Euros	Investments	Result attributable to the Group	Investments	Result attributable to the Group
Puerta Marítima Ondara, S.L.	24,324	5,515	18,083	(342)
Lavernia Investments, S.L.	9,748	(456)	4	-
Inmobiliaria Juan Bravo 3, S.L.	9,145	(2,465)	-	-
Total	**43,217**	**2,594**	**18,087**	**(342)**

As described in Note 2.g in January 2015 the Parent Company acquired 50% of the shares of Inmobiliaria Juan Bravo 3, S.L., for the amount of EUR 1,707 thousand. Throughout 2015, the Parent Company made additional shareholder contributions to Puerta Marítima Ondara, S.L., Inmobiliaria Juan Bravo 3, S.L. and Lavernia Investments, S.L. for the amount of EUR 2,264 thousand, EUR 9,903 thousand and EUR 10,200 thousand respectively.

The amount contributed to Lavernia Investments, S.L. corresponds to a share capital increase for a credit compensation effected in June 2015.

The main indicators for joint ventures (standardized to the regulatory framework applicable to the Group) at 31 December 2015 and 2014 are as follows:

	31.12.2015			31.12.2014	
Thousands of Euros	Puerta Marítima Ondara, S.L.(a)	Lavernia Investments, S.L. (c)	Inmobiliaria Juan Bravo 3, S.L. (b)	Puerta Marítima Ondara, S.L.	Lavernia Investments, S.L.
Non-current assets	81,960	-	72	82,576	-
Current assets	3,625	20,003	109,918	2,718	4
Non-current liabilities	41,372	-	76,153	46,571	-
Current liabilities	8,647	509	51,713	7,959	-
Revenues	6,103	1	-	5,249	-
Profit for the Period	**9,381**	**(913)**	**(4,930)**	**158**	**(3)**

(a) Owner of a shopping centre.
(b) Owner of a site for real estate development. Contracted liabilities are mainly with its partners.
(c) Owner of a leased asset that was disposed of subsequent to the 2015 reporting date (note 30).

10 Financial Assets with Associates

The detail of this category at 31 December 2015 is as follows:

Thousands of Euros	Short-term	Long-term
Loans with associates	25,102	16,774
Other financial assets	1,615	-
TOTAL FINANCIAL ASSETS WITH ASSOCIATES	**26,717**	**16,774**

At 31 December 2015 the Group had formalised the following loans with associates:

Thousands of Euros	Date granted	Loan principal	Capitalised accrued interest	Loan total	Current	Non-current
Inmobiliaria Juan Bravo 3, S.L. (a)	29/05/2015	40,000	1,774	41,774	25,000	16,774
Lavernia Investments, S.L. (b)	10/07/2015	100	2	102	102	-
		40,100	**1,776**	**41,876**	**25,102**	**16,774**

(a) As indicated in note 2.g, on 30 January 2015 the Company Parent acquired 50% of the share capital of Inmobiliaria Juan Bravo 3, S.L. Furthermore, on said date, the Company Parent and the other partner acquired, for the amount of EUR 80,000 thousand, a mortgage loan that was mature, granted by a financial institution to Inmobiliaria Juan Bravo 3, S.L., the nominal value of which amounted to approximately EUR 122,605 thousand.

Subsequently, on 29 May 2015, Lar España Real Estate SOCIMI, S.A. agreed with Inmobiliaria Juan Bravo 3, S.L. to convert the loan they held into a participating loan, under the terms of article 20 of Royal Decree Law 7/1996 of 7 June. According to the terms agreed in the contract, on 30 June 2016 Inmobiliaria Juan Bravo 3, S.L. will pay Lar España Real Estate SOCIMI, S.A. the amount of EUR 25,000 thousand as the first repayment of the principal.

As this participating loan establishes, accrued and unpaid interest will be capitalised on a quarterly basis and will become part of the principal of the loans. This increase in the principal will accrue interest at the rate set in the contract. At 31 December 2015 the amount of accrued and capitalised interest since the date on which the loan was granted for the amount of EUR 1,774 thousand.

(b) On 10 July 2015 the Parent Company granted Lavernia Investments, S.L. a loan for the amount of EUR 100 thousand.

As this loan establishes, accrued and unpaid interest will be capitalised on a quarterly basis and will become part of the principal of the loan. This increase in the principal will accrue interest at the rate set in the contract. At 31 December 2015 the amount of accrued and capitalised interest since the date on which the loan was granted for the amount of EUR 2 thousand.

Furthermore, in January 2015 the Parent Company granted Lavernia Investments, S.L. loans for the amount of EUR 10 million and EUR 100 thousand, respectively. On 25 June 2015, the Parent Company capitalised said loan (see note 9).

The financing detailed in the previous table will be used to develop residential property projects owned by associates and other treasury needs. These loans accrue interest rate that ranges between 4% and 5.95%, the maturities of which are expected from 2016 to 2018.

11 Financial Assets by Category

a Classification of financial assets by category

The Group's financial assets at 31 December 2015 are security deposits placed with public bodies, loans granted to associates, trade receivables, receivables from public entities and fixed-term cash deposits. The following table shows a breakdown of these assets at 31 December 2015 and 2014:

Carrying amount 2015 Thousands of Euros	**Non-current**	**Current**
Loans to third-parties	63	-
Security deposits and guarantees	8,412	-
Financial assets with associates (note 10)	16,774	26,717
Other financial assets	-	1,676
Clients receivables for sales and rendering of services	-	1,894
Advances to suppliers	-	30
Public entities, other	-	2,723
Total	**25,249**	**33,040**

Carrying amount 2014 Thousands of Euros	Non-current	Current
Loans to third-parties	-	-
Security deposits and guarantees	3,841	31,735
Financial assets with associates (note 10)	-	-
Other financial assets	-	297
Clients receivables for sales and rendering of services	-	1,260
Advances to suppliers	-	-
Public entities, other	-	710
Total	**3,841**	**34,002**

The carrying amount of financial assets recognised at cost or amortised cost does not differ significantly from their fair value.

At 31 December 2015, security deposits and guarantees mainly comprise the security deposits and guarantees received from the tenants of the investment properties mentioned in note 7, which the Group has deposited with the corresponding public bodies (Security deposits and guarantees - non-current). In addition, at 31 December 2014, security deposits and guarantees included amount of the security deposits effected in financial institutes for the amount of EUR 31,735 thousand, which were cancelled during 2015.

b Classification of financial assets by maturity

The classification of financial assets by maturity is as follows:

2015 Thousands of Euros	Less than 1 year	1 to 5 years	Indefinite	Total
Financial assets with associates	26,717	16,774	-	43,491
Loans to third-parties	-	63	-	63
Security deposits and guarantees	-	-	8,412	8,412
Other financial assets	1,676	-	-	1,676
Trade and other receivables	4,647	-	-	4,647
TOTAL	**33,040**	**16,837**	**8,412**	**58,289**

2014 Thousands of Euros	Less than 1 year	Indefinite	Total
Security deposits and guarantees	31,735	3,841	35,576
Other financial assets	297	-	297
Trade and other receivables	1,970	-	1,970
TOTAL	**34,002**	**3,841**	**37,843**

c Net losses and gains by category of financial asset

The amount of net losses and gains corresponds to the income obtained by the Group with respect to the credits delivered to Inmobiliaria Juan Bravo 3, S.L. and Lavernia Investments, S.L. (note 10), and to the income obtained through security deposits effected in financial institutions that amounted to EUR 1,776 thousand and EUR 668 thousand, respectively (EUR 2,391 thousand in 2014 from security deposits).

12 Trade and other receivables

Details of "trade and other receivables" at 31 December 2015 and 2014 are as follows:

Thousands of Euros	2015 Current	2014 Current
Operating lease receivables	1,387	1,385
Operating lease receivables - pending invoices	1,164	399
Advances to suppliers	30	-
Public entities, other (note 21)	2,723	710
Less impairment allowances	(657)	(524)
Total	**4,647**	**1,970**

a

Impairment

Movement in impairment and uncollectibility valuation allowances for amounts payable to the Group by the tenants is as follows:

2015
Thousands of Euros

Balance at 31 December 2014	524
Change to the scope	67
Impairment losses	126
Reversals of impairment losses	(60)
Balance at 31 December 2015	**657**

2014
Thousands of Euros

Balance at 17 January	-
Impairment during the year in the value of the Txingudi and Huertas shopping centres	362
Impairment losses (note 24)	217
Reversals of impairment losses (note 24)	(55)
TOTAL	**524**

Changes to the scope of 2015 during the year correspond to the value impairment in the acquisition of the investment property the El Rosal shopping centre.

In addition, during 2014 receivables associated with the acquisition of the Txingudi and Huertas shopping centres were acquired for the amount of EUR 362 thousand, with said centres being totally impaired.

13 Cash and Cash equivalents

Details of cash and cash equivalents at 31 December 2015 and 2014 are as follows:

Thousands of Euros	2015	2014
Banks	35,555	20,252
TOTAL	**35,555**	**20,252**

At 31 December 2015 and 31 December 2014 the cash at banks is in demand deposits that are available for use.

14 Equity

a Share capital

At 31 December 2014 the share capital of Lar España Real Estate SOCIMI, S.A. amounts to EUR 119,996 thousand (EUR 80,060 thousand at 31 December 2014) represented by 59,997,756 registered shares (40,030,000 registered shares at 31 December 2014), represented through book entries, with a par value of EUR 2 each, subscribed and fully paid, all granting the same rights.

On 15 July 2015, as authorised by the shareholders at their Annual General Meeting held on 28 April 2015, the board of directors of the Parent Company agreed to increase the share capital of the Parent Company through the issue of 19,967,756 new ordinary shares, with a par value of EUR 2 each plus a share premium of EUR 4.76 per share, for a total issue price of EUR 6.76 per new share. Said capital increase was carried out on 7 August 2015. As a result, the total effective amount of the share capital increase and share premium will total EUR 134,983 thousand.

All of the shares of the Company, Lar España Real Estate SOCIMI, S.A., are quoted on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges. These shares are freely transferable.

The listing value at 31 December 2015 is Euros 9.46 per share.

At 31 December 2015 and 2014 the Parent Company's main shareholders are as follows:

%	2015	2014
Franklin Templeton Institutional, LLC	15.1	16.9
PIMCO Bravo II Fund, L.P.	12.5	12.5
Cohen & Steers, Inc	3	6.5
Ameriprise Financial Inc.	5.1	-
Other shareholders with an interest of less than 5%	64.3	64.1
TOTAL	**100**	**100**

b Share premium

The Revised Spanish Companies Act expressly provides for the use of share premium to increase share capital and does not stipulate any restrictions as to its use.

This reserve is unrestricted provided that the Parent Company's equity is not reduced to less than its share capital as a result of any distribution.

At 31 December 2015, after the capital increase carried out on 15 July 2015, the Group's share premium amounted to EUR 415,047 thousand (EUR 320,000 thousand at 31 December 2014).

c Other reserves

The breakdown of this category as at 31 December 2015 and 2014 is the following:

Thousands of Euros	2015	2014
Legal reserve	166	-
Parent Company Reserves	(5,349)	(9,425)
Consolidated reserves	(824)	-
Other shareholder contributions	240	240
TOTAL	**(5,767)**	**(9,185)**

Reserve movements that took place during the 2015 financial year were as follows:

Thousands of Euros	Parent Company Reserves	Consolidated Reserves	Total Reserves
Opening balance	(9,185)	-	(9,185)
Profit for 2014	3,602	(146)	3,456
Distribution of Dividends for the 2014 year	(653)	(678)	(1,331)
Capital increase expenses	(4,764)	-	(4,764)
Result from treasury shares	759	-	759
Share-based payments (note 14.g)	5,298	-	5,298
Closing balance	**(4,943)**	**(824)**	**(5,767)**

(i) Legal reserve

The legal reserve is to be appropriated in compliance with article 274 of the Revised Spanish Companies Act, which requires that companies transfer 10% of profits for the year to a legal reserve until this reserve reaches an amount equal to 20% of share capital.

The legal reserve is not distributable to shareholders and if it is used to offset losses, in the event that no other reserves are available, the reserve must be replenished with future profits.

At 31 December 2015 the legal reserve of the Parent Company amounts to EUR 166 thousand.

Pursuant to Law 11/2009 which governs SOCIMIs, the legal reserve of companies that have opted to avail themselves of the special tax regime provided by this Law may not exceed 20% of their share capital. The articles of association of these companies may not stipulate any restricted reserve other than the legal reserve.

(ii) Parent Company Reserves

Other reserves mainly include expenses related to the incorporation of the Parent Company and to the capital increases through share issues carried out on 5 March 2014 and 7 August 2015 and other non-distributed profits. Additionally, the impact on reserves of received services that will be liquidated in shares of the Parent Company is also included. (See notes 27.a and 14.g).

d

Valuation adjustments

This entry in the consolidated statement of financial position includes the amount of changes to the value of financial derivatives designated as cash flow hedging instruments. The movement of the balance of this entry during 2015 is presented below:

Thousands of Euros	
Changes in fair value of hedges in the period (see note 17.c)	(1,560)
Closing balance	**(1,560)**

e

Treasury shares

At 31 December 2015 the Parent Company holds treasury shares amounting to EUR 709 thousand (EUR 4,838 thousand at 31 December 2014).

Movement during the 2015 and 2014 periods was as follows:

	Number of shares	Thousands of Euros
31 December 2014	531,367	4,838
Additions	959,433	9,098
Disposals	(1,416,550)	(13,227)
31 December 2015	**74,250**	**709**

	Number of shares	Thousands of Euros
17 January 2014	-	-
Additions	719,551	6,562
Disposals	(188,184)	(1,724)
31 December 2014	**531,367**	**4,838**

On 5 February 2014, the Sole Shareholder of the Parent Company authorised the Board of Directors to purchase shares of the Parent Company, up to a maximum of 10% of the share capital. This authorisation was approved by the Shareholders' General Meeting of the Parent Company held on the 28 April 2015.

The average selling price of treasury shares was EUR 9.87 per share (EUR 9.14 in 2014). The proceeds for the year ended 31 December 2015 amounted to EUR 759 thousand (EUR 4 thousand in the period of eleven months and fourteen days ended 31 December 2014) have been recognised under "Other Reserves" epigraph in the consolidated statement of financial position.

f

Dividends paid

On 28 April 2015 the Shareholders' General Meeting approved the distribution of the Parent Company's results in 2014 in accordance with the proposal formulated by the Parent Company's Directors in their meeting held on 24 February 2015. The distribution is as follows:

Thousands of Euros	
Balance	
Profit for the year	1,664
Distribution	
Legal reserve	166
Dividends	1,331
Voluntary reserve	167
Total	**1,664**

The payment of the dividend approved by the Shareholders' General Meeting amounts to EUR 0.033 per share, charged to the results for the financial year 2014, and has been paid in total on the 28 May and 19 June 2015.

g

Share-based payments

On 12 February 2014, the Parent Company signed an Investment Management Agreement with Grupo Lar Inversiones Inmobiliarias, S.A. (hereinafter "the manager") for the rendering of management services by Grupo Lar Inversiones Inmobiliarias, S.A., including, among others, the acquisition and management of property assets on behalf of the Parent Company and financial management. For said services the manager will accrue fixed fees based on a percentage of the fair value (EPRA NAV) of the investments made. The amount accrued by the set fee at 31 December 2015 amounted to EUR 3,883 thousand (EUR 2,083 miles thousand in 2014).

Additionally, pursuant to clause 7.2 of the Investment Management Contract, Grupo Lar Inversiones Inmobiliarias, S.A. will have the right to a Performance Fee that is paid to the manager depending on the profitability obtained by the Parent Company shareholders.

In this respect, the annual profitability of shareholders is defined in the contract as the sum of the change to EPRA NAV of the Parent Company during the period, less net funds obtained from the issue of shares during the period, plus the dividends distributed during said period.

Pursuant to the contract, in the event the following thresholds are exceeded:

- Total annual return for the shareholders greater than 10%, and

- The sum of (i) the EPRA NAV of the Parent Company at 31 December of said period and (ii) the total figure of dividends that have been distributed in that period or in any period previous since the last that qualified the payment of the "Performance fee", exceeds:

(a) The initial EPRA NAV (where net funds obtained by the Company as a result of the request and admission of its shares to be listed are considered as EPRA NAV), and

(b) he EPRA NAV at 31 December (with the allowances resulting from the inclusion of paid dividends and the exclusion of net funds from any effected issue of ordinary shares) of the last period that qualified the Performance Fee. Said excess will be called the High Watermark Outperformance and represents the excess over the last EPRA NAV that qualified the Performance fee.

Grupo Lar Inversiones Inmobiliarias, S.A. will have the right to a fee equal to 20% of the return of the shareholders when same exceeds 12%, in addition to 20% of any excess over 12% up to 22% in the event the return exceeds 12%.

Pursuant to clause 7.2.2 of the contract, Grupo Lar Inversiones Inmobiliarias, S.A. must use the amount earned as the Performance Fee (after deducting the applicable corporate income tax amount) to subscribe any shares that the Parent Company may issue, or by choice of the Parent Company, to acquire same's treasury shares.

At 31 December 2015, the return of the shareholder calculated by the Parent Company amounted to 15.72 % having earned a Performance Fee for the amount of EUR 7,359 thousand. The net amount of corporation income tax applicable to the recipient (28%), which totals EUR 5,298 thousand, was recorded pursuant to IRFS 2 "Share-based payments" with payment in the reserves. The remaining amount, which totals EUR 2,061 thousand, was recorded as a liability.

The services received from the manager are recognised as other operating expenses in the consolidated statement of comprehensive income. At 31 December 2015, the Group has a balance payable for this item totalling EUR 2,379 thousand (EUR 771 thousand at 31 December 2014).

h Capital management

The Group is essentially financed with its own capital and financial debt. The Group resorted to market financing through mortgage-backed loans to fund the acquisition of new investments. In addition, the Group issued bonds in 2015.

The Group manages its capital with the aim of safeguarding its capacity to continue operating as a going concern, so as to continue providing shareholder remuneration and benefiting other stakeholders, while maintaining an optimum capital structure to reduce the cost of capital.

To maintain and adjust the capital structure, the Group can adjust the amount of dividends payable to shareholders (within the limits established by the SOCIMI regime), reimburse capital, issue shares or dispose of assets to reduce debt.

Like other groups in the sector, the Group controls its capital structure on a leverage ratio basis. This ratio is calculated as net debt divided by total capital. Net debt is the sum of financial debt less cash and cash equivalents. Capital is the sum of share capital plus share premium.

Thousands of Euros	31.12.2015	31.12.2014
Total financial debt (see note 16)	322,244	37,822
Less, Cash and cash equivalents (see note 13)	(35,555)	(20,252)
Net debt	286,689	17,570
Total capital (capital + premium)	535,043	400,060
Total capital	**821,732**	**417,630**
TOTAL FINANCIAL DEBT	**34.89%**	**1.04%**

15 Earnings per share

(i) Basic

Basic earnings per share are calculated by dividing the profit for the year attributable to the ordinary shareholders of the Parent Company by the weighted average number of ordinary shares in7 circulation during the period, excluding treasury shares.

Details of the calculation of basic earnings per share are as follows:

	31.12.2015	31.12.2014
Profit for the year attributable to equity instrument holders of the Parent Company (in thousands of Euros)	43,559	3,456
Weighted average number of ordinary shares in circulation (number of shares)	47,790,562	38,276,618
BASIC EARNINGS PER SHARE (IN EUROS)	**0.91**	**0.09**

The average number of ordinary shares in circulation is determined as follows:

	31.12.2015	31.12.2014
Ordinary shares	40,030,000	30,000
Share capital increase (weighted effect)	7,987,102	38,390,805
Average effect of treasury shares	(226,540)	(144,187)
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES IN CIRCULATION AT 31 DECEMBER (NUMBER OF SHARES)	**47,790,562**	**38,276,618**

(ii) Diluted

Diluted earnings per share are calculated by adjusting profit for the year attributable to equity holders of the Parent Company and the weighted average number of ordinary shares in circulation for the effects of all dilutive potential ordinary shares; that is, as if all potential ordinary shares treated as dilutive had been converted.

The Parent Company does not have different classes of ordinary shares that are potentially dilutive.

16 Financial Liabilities by Categories

a Classification of financial liabilities by category

The classification of financial liabilities by category and class at 31 December 2015 and at 31 December 2014 is as follows:

Carrying amount 2015	Non-current	Current
Carried at amortised cost:		
Financial liabilities from issue of bonds and other marketable securities	138,233	3,504
Loans and borrowings	173,354	5,593
Carried at fair value:		
Derivatives	1,560	-
Other financial liabilities - security deposits	10,774	2,651
Trade and other payables		
Trade payables	-	5,761
Public entities, other	-	2,042
TOTAL FINANCIAL LIABILITIES	**323,921**	**19,551**

Carried at amortised cost 2014	Non-current	Current
Financial liabilities from issue of bonds and other marketable securities	37,666	156
Debts and payables		
Other financial liabilities - security deposits	5,143	-
Trade and other payables		
- Trade payables	-	4,410
- Personnel	-	18
- Public entities, other	-	269
TOTAL FINANCIAL LIABILITIES	**42,809**	**4,853**

At 31 December 2015 and 2014 the carrying amounts of the financial liabilities recorded at amortised cost do not differ from the fair value.

b Classification of financial liabilities by maturity

Details by maturity of financial liabilities at 31 December 2015 and 31 December 2014 are as follows:

2015 Thousands of Euros	2016	2017	2018	2019	2020 and remaining years	Indefinite	Total
Financial liabilities from issue of bonds (a)	3,504	-	-	-	138,233	-	141,737
Loans and borrowings (a)	5,593	2,657	17,656	30,156	122,885	-	178,947
Derivatives	-	-	-	-	1,560	-	1,560
Other financial liabilities - security deposits	2,651	-	-	-	-	10,774	13,425
Trade and other payables	7,803	-	-	-	-	-	7,803
TOTAL	**19,551**	**2,657**	**17,656**	**30,156**	**262,678**	**10,774**	**343,472**

(a) The effect of valuing financial liabilities from bonds and borrowings at amortised cost amounts to EUR 1,767 thousand and EUR 3,049 thousand.

2014 Thousands of Euros	2015	2016	2017	2018	2019 and remaining years	Indefinite	Total
Loans and borrowings	156	156	156	156	37,198	-	37,822
Other financial liabilities - security deposits	-	-			-	5,143	5,143
Trade and other payables	4,697	-			-	-	4,697
TOTAL	**4,853**	**468**	**156**	**156**	**37,198**	**5,143**	**47,662**

17 Financial Liabilities from Borrow

a Main characteristics of debt from bonds

On 21 January 2015 the Parent Company's Board of Directors approved the issue of simple bonds up to a maximum amount of EUR 200 million, following the approval by the then-sole shareholder of the Parent Company on 5 February 2014.

In this respect, on 19 February 2015 the Parent Company carried out a placement of bonds amounting to a total of EUR 140 million, each with a nominal value of EUR 100 thousand. The main characteristics of the issue are as follows:

- Issuer: Lar España Real Estate SOCIMI, S.A.

- Guarantees: Guarantee on the assets of the Parent Company and mortgages and ordinary first tier pledges up to a maximum amount of 20% of the placement. The assets mortgaged were: L'Anec Blau, Albacenter, Txingudi, Las Huertas, Albacenter Hipermercado, Alovera and Marcelo Spínola. An ordinary pledge has also been established on the shares of LE Logistic Alovera I y II, S.A.U. (formerly called Lar España Inversión Logística, S.A.U.), LE Retail Hiper Albacenter, S.A.U. (formerly called Lar España Shopping Centres S.A.U.) and Le Offices Eloy Gonzalo 27, S.A.U. (formerly called Riverton Gestión S.A.U.).

- Amount of the issue: EUR 140,000 thousand.

- Nominal amount: EUR 100 thousand

- Maturity: 7 years. In certain circumstances the early amortisation of this instrument is possible.

- Interest rate: 2.9%

- Nature of the issue: Simple bonds.

The issuance expenses associated with this issue amounted to EUR 1,995 thousand, which were recorded by reducing the debt. In 2015, EUR 228 thousand of these expenses have been charged to the entry “Financial costs” on the consolidated comprehensive income statements for the period. The interest accrued at 31 December 2015 and payable at that date totalled EUR 3,504 thousand.

Covenants

Bonds are issued with an undertaking by the Group to comply with certain ratios.

- An Interest Coverage Ratio equal to or exceeding 1.25, calculated as the ratio between EBITDA net of tax and finance costs for the period.

- A Loan-to-Value Ratio equal to or exceeding 65%, calculated as the ratio between debt and the value of assets.

Moreover, the Group has undertaken to arrange new guarantees in cases where the Interest Coverage ratio is lower than 1.75 and the Loan-to-Value ratio exceeds 60%.

The Directors consider the ratios met at 31 December 2015, so that no further guarantees are required, and they expect them to be met in 2016.

b Main characteristics of loans and debt with credit institutions

The terms and conditions of the loans and debts with credit institutions are as follows:

Institution	Currency	Effective rate	Maturity	Amount granted	Amortised cost and interest pending payment at 31 December 2015	Guarantee
LE Offices Egeo, S.A.U.	Euro	EURIBOR 3M + 2% spread	15-Dec-2019	30,000	30,000	Egeo office building
LE Retail Alisal, S.A.U.	Euro	3.02% (until 16 December 2015). Subsequently EURIBOR 3M + 2.90%	16-Jun-2025	7,822	7,674	Single-tenant commercial premises Nuevo Alisal (c)
Lar España Real Estate SOCIMI, S.A.	Euro	EURIBOR 3M + 2.83% spread	30-Jan-2018	25,000	24,958	(a)
LE Retail As Termas, S.L.U.	Euro	EURIBOR 3M + 1.80% spread	25-Jun-2020	37,345	36,445	As Termas Shopping centre (c)
LE Retail El Rosal S.L.U.	Euro	EURIBOR 3M + 1.75%	7-Jul-2030	50,000	48,912	El Rosal shopping centre (c)
LE Retail Villaverde, S.L.U.	Euro	1.75% (until 30 September 2018) Subsequently EURIBOR 12M + 1.75%	13-Oct-2020	4,550	4,465	Single-tenant commercial premises Villaverde (c)
LE Offices Arturo Soria, S.L.U.	Euro	1.80% (until 30 September 2018) Subsequently EURIBOR 12M + 1.80%	9-Nov-2020	13,000	12,778	Arturo Soria office building (c)
LE Retail Galaria S.L.U.	Euro	1.5% (until 14 March 2016) Subsequently EURIBOR 3M + 1.75%	14-Dec-2029	4,200	4,170	Single-tenant commercial premises Galaria (b)(c)
LE Offices Joan Miró 21, S.L.U.	Euro	1.62% (first quarter) Subsequently EURIBOR 3M + 1.75%	23-Dec-2020	9,800	9,545	Joan Miró office building (b)(c)
				181,717	178,947	

(a) This loan has mortgage guarantees on the assets owned by the associates Lavernia Investments, S.L. and Inmobiliaria Juan Bravo 3, S.L.
(b) In addition to the mortgage security of the loan, the Company has pledged current accounts and credit accounts derived from the lease contract of the property on shares.
(c) With respect to said mortgage loans, there are certain clauses linked to the keeping of the LTV "Loan To Value" ratio below 50%-70%. If the LTV is not kept below 50%-70%, additional guarantees will be necessary.

c Derivatives

Details of derivative financial instruments are as follows:

Thousands of Euros	
Non-current	
Interest rate	1,560
	1,560

To determine the fair value of interest rate derivatives, the Parent Company uses the cash flow discount on the basis of the implicit amounts determined by the Euro interest rate curve according to the market conditions on the date of measurement.

These financial instruments were classified as level 2 according to the calculation categories established in IFRS 7

Derivatives contracted by the Group at 31 December 2015 and their fair values at said date are as follows (in thousands of Euros):

Thousands of Euros	Contracted interest rate (%)	Fair value at 31.12.2015	Notional	Maturity
LE Retail El Rosal S.L.U	0.44	768	50,000	2020
LE Retail As Termas, S.L.U.	0.53	686	37,345	2020
LE Offices Joan Miró 21, S.L.U.	0.41	106	9,800	2020
		1,560	97,145	

On 7 July 2015 the Group Company LE Retail El Rosal, S.L.U. (formerly called “El Rosal Retail, S.L.”) signed an IRS hedging instrument contract for a nominal amount of EUR 50,000 thousand with Caixa Bank S.A. with a maximum maturity of 5 years. This IRS hedging instrument contract will accrue interest on a quarterly basis, which shall be paid on the last day of each Interest Period. The interest rate applied is made up of a fixed component of 0.4435% and a variable component based on the three month Euribor. The fair value of the financial instrument has been recognised under liabilities for an amount of EUR 768 thousand at 31 December 2015.

On 25 June 2015 the Group Company LE Retail As Termas, S.L.U. (formerly called “Global Noctua, S.L.U.”) signed an IRS hedging instrument contract for a nominal amount of EUR 37,345 thousand with ING Bank N.V. (Spanish Branch) with a maximum maturity of 5 years. This IRS hedging instrument contract will accrue interest on a quarterly basis, which shall be paid on the last day of each Interest Period. The interest rate applied is made up of a fixed component of 0.5315% and a variable component based on the three month Euribor. The fair value of the financial instrument has been recognised under liabilities for an amount of EUR 686 thousand at 31 December 2015.

On 23 December 2015, the Group Company LE Offices Joan Miró 21, S.L. (formerly called Global

Meiji, S.L.) signed an IRS hedging instrument contract for a nominal amount of EUR 9,800 thousand with Banco Bilbao Vizcaya Argentaria, S.A., with a maximum maturity of 5 years. This IRS hedging instrument contract will accrue interest on a quarterly basis, which shall be paid on the last day of each Interest Period. The interest rate applied is made up of a fixed component of 0.413% and a variable component based on the three month Euribor. The fair value of the financial instrument has been recognised under liabilities for an amount of EUR 106 thousand at 31 December 2015.

The Group opted for accounting hedges, appropriately designating the Hedging Relationships in which these derivative instruments are the hedging instruments of the financing used by the Group, neutralising the changes to interest payment flows by setting the fixed rate to be paid by same. Said Hedging Relationships are highly effective prospectively, retrospectively and cumulatively, since the designation date. In this respect, the Group recognised the amount of the change to the fair value that occurred in 2015 under equity.

During 2015 financial expenses associated with settlements of new derivative financial instruments contracted in the period were recorded for the amount of EUR 227 thousand.

The effect of the 50-basis-point change in the estimated interest rate on liabilities and on the income statement before taxes would be as follows:

Scenario (Thousands of euros)	**Liabilities**	**Equity**	**Euros Scenario Liabilities Equity Consolidated profit before tax**
5% Interest rate increase	2,174	2,174	-
5% Interest rate decrease	(2,220)	(2,220)	-

18 Other non-current financial liabilities

Other non-current financial liabilities at 31 December 2015 reflect EUR 10,774 thousand (EUR 5,143 thousand at 31 December 2014) that comprise security deposits delivered to the Group by the various tenants of the commercial premises located in its properties. This amount generally represents two months' rent, which is reimbursed at the end of the contract term.

19 Trade and Other Payables

Details of trade and other payables at 31 December 2015 and 2014 are as follows:

Thousands of Euros	2015	2014
Trade payables	3,184	3,544
Trade payables, related parties (see note 27)	2,462	866
Salaries payable	115	18
Public entities, other (see note 21)	2,042	269
	7,803	**4,697**

20 Information on the average number of days payable outstanding

Below appears the information required by the third additional Provision of Law 15/2010, of 5 July (amended by the second final Provision of Law 31/2014, of 3 December), which has been prepared pursuant to the Resolution of 29 January 2016 by Spain's Accounting and Audit Institute on the information to be included in the report on the consolidated annual accounts in terms of the average number of days payable outstanding to suppliers in commercial transactions:

Pursuant to what is allowed by the sole additional Provision of the abovementioned Resolution, as this is the first this first period under the application of the Resolution, comparative information is not presented.

	2015
	Days
Average number of days payable outstanding to suppliers*	29
Ratio of paid operations	27
Ratio of operations pending payment*	35
	Thousands of Euros
Total effected payments	30,419
Total pending payments	1,068

Pursuant to the Resolution by Spain's Accounting and Audit Institute on the calculation of the average number of days payable outstanding to suppliers in these consolidated annual accounts, commercial transactions corresponding to the delivery of goods or rendering of services accrued since the date Law 31/2014 of 3 December entered into force were taken into consideration, although this has been exclusively regarding companies based in Spain that have been fully or proportionally integrated.

Trade payables as they relate to goods and services included in "Trade and other payables" of the current liability of the consolidated statement of financial position are considered suppliers, for the exclusive purpose of providing the information established in this Resolution. These refer excursively to the Spanish institutions included in the consolidable group.

"Average number of days payable outstanding to suppliers" is understood to mean the time passed between the delivery of goods or the rendering of services by the supplier and the material payment of the transaction.

The maximum legal payment period applicable to the Company in the 2014/15 period according to Law 3/2004, of 29 December containing measures to combat late payments in commercial transactions and in accordance with the transitory provisions established in Law 15/2010, of 5 July, is 60 days until the publication of Law 11/2013 of 26 July and 30 days as of the publication of said Law and as of today's date (unless the conditions established in same are met, which would allow said maximum payment period to be extended to 60 days).

21 Public Entities and Taxation

a Current balances with public entities

Receivables

Thousands of Euros	31.12.2015	31.12.2014
Taxation authorities, VAT recoverable	1,843	251
Taxation authorities, other withholdings	880	459
	2,723	**710**

Payables

Thousands of Euros	31.12.2015	31.12.2014
Taxation authorities, VAT payable	1,746	193
Taxation authorities, personal income tax withholdings payable	292	72
Social Security contributions payable	4	4
	2,042	**269**

b Reconciliation of accounting profit and taxable income

At December 31, 2015 and 2014, the taxable income is as follows:

Thousands of Euros	31.12.2015	31.12.2014
Profit before tax from continuing operations	43,559	3,456
Permanent differences:		
- of individual companies	(4,634)	(9,372)
- of consolidation adjustments	(3,449)	53
Temporary differences - Measurement of investment properties	(25,978)	(442)
Temporary difference - Others	1,758	868
Taxable income (tax loss)	11,256	(6,624)
Tax payable (28%)	-	-
Tax payable (0%)	-	-
Income tax expense/(tax income)	-	-

At 31 December 2015 the Parent Company and the subsidiaries are included under the SOCIMI tax regime, except the companies Inmobiliaria Juan Bravo 3, S.L. and Lavernia Investments, S.L. Pursuant to what is established therein, the tax rate applicable to the tax base is 0%, such that no expense has been recorded for Corporate Income Tax, as well as the corresponding eliminations and recognition in the consolidated income adjustment.

At December 31, 2015 and 2014, the heading of permanent differences mainly consists of issuance expenses and capital increase not allocated to the consolidated income statement amounting EUR 4,764 thousand in 2015 (EUR 9,419 thousand in 2014).

Deferred tax assets and liabilities

The Parent Company's directors do not expect any asset to be sold before the three-year time limit expires, which is the reason the deferred tax liabilities for the increase in value (IAS 40) have been calculated at 0%.

Likewise, the Group has not recorded deferred tax assets for the temporary differences that increase the tax base because the applicable rate is calculated at 0%.

c Financial years pending verification and inspections

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the inspection period of four years has elapsed. At the 2015 reporting date, the Company has open to inspection by the taxation authorities all the main applicable taxes since its incorporation. The Parent Company's directors consider that the aforementioned taxes have been adequately settled, and consequently, even if discrepancies were to arise in the interpretation of prevailing standards with respect to the tax treatment of operations, the accompanying annual accounts would not be significantly affected by any resulting liabilities.

d Reporting requirements for SOCIMIs pursuant to Law 11/2009 amended by Law 16/2012

	2015 Period
a) Reserves from years prior to the application of the tax regime provided in Law 11/2009, amended by Law 16/2012 of 27 December.	-
b) Reserves for each year in which the special tax regime provided by that Law is applicable	Proposed 2015 profits distribution to reserve: EUR 501 thousand to legal reserve and EUR 6 thousand to voluntary reserve.
a. Profits from income subject to the general income tax rate	-
b. Profits from income subject to a tax rate of 19%	-
c. Profits from income subject to a tax rate of 0%	Proposed 2015 profits distribution to reserve: EUR 501 thousand to legal reserve and EUR 6 thousand to voluntary reserve.
c) Dividends distributed with a charge to profits for each year in which the tax regime provided by this Law is applicable	Proposed dividend distribution for 2015: EUR 12,037 thousands
a. Dividends from income subject to the general income tax rate	-
b. Dividends from income subject to a tax rate of 18% (2009) and 19% (2010 to 2012)	-
c. Dividends from income subject to a tax rate of 0%	Proposed dividend distribution for 2015: EUR 12,037 thousands
d) Dividends distributed charged to reserves,	-
a. Distribution charged to reserves subject to the general income tax rate	-
b. Distribution charged to reserves subject to a tax rate of 19%	-
c. Distribution charged to reserves subject to a tax rate of 0%	-
e) Date on which distribution was agreed of dividends referred to in c) and d) above	2015 dividends: Pending AGM

f) Date of acquisition of properties for lease that generate income subject to this special regime	Txingudi shopping centre: 24 March 2014 Las Huertas shopping centre: 24 March 2014 Arturo Soria office building: 29 July 2014 Single-tenant commercial premises Villaverde: 29 July 2014 Albacenter shopping centre: 30 July 2014 Anec Blau shopping centre: 31 July 2014 Marcelo Spínola office building: 31 July 2014 Hiper Albacenter shopping centre: 19 December 2014 Egeo office building: 16 December 2014 Single-tenant commercial premises Alisal: 17 December 2014 Alovera I industrial bay: 07 August 2014 Alovera II industrial bay: 13 October 2014 Eloy Gonzalo 27 office building: 23 December 2014 As Termas shopping centre: 15 April 2015 Almussafes industrial bay: 26 May 2015 Alovera III industrial bay (C2): 26 May 2015 Alovera IV (C5-C6) industrial bay: 26 May 2015 Hiper Ondara shopping centre: 09 June 2015 Joan Miró office building: 11 June 2015 El Rosal shopping centre: 7 July 2015 Portal de la Marina shopping centre: 10 October 2014 As Termas Petrol station: 15 April 2015 Single-tenant commercial premises Galaria: 23 July 2015
g) Date of acquisition of shares in the capital of the entities referred to by article 2.1 of the above Law.	LE Logistic Alovera I y II, S.A.U (formerly called Lar España Inversión Logística, S.A.U).: 23 July 2014 LE Retail Hiper Albacenter, S.A.U. (formerly called Lar España Shopping Centres, S.A.U): 04 November 2014 LE Offices Egeo, S.A.U. (formerly called Lar España Offices, S.A.U): 04 November 2014 LE Retail Alisal, S.A.U. (formerly called Lar España Parque de Medianas, S.A.U.): 04 November 2014 LE Offices Eloy Gonzalo 27, S.A.U. (formerly called Riverton Gestión, S.L.U.).: 18 December 2014 LE Retail As Termas, S.L.U. (formerly called Global Noctua, S.L.U.): 18 December 2014 LE Logistic Almussafes, S.L.U. (formerly called Global Zohar S.L.U.): 04 March 2015 LE Logistic Alovera III y IV, S.L.U. (formerly called Global Tannenberg, S.L.U.): 04 March 2015 LE Retail Hiper Ondara, S.L.U. (formerly called Global Brisulia, S.L.U.): 09 June 2015 LE Offices Joan Miró 21, S.L.U. (formerly called Global Meiji, S.L.U.): 04 March 2015 LE Retail El Rosal, S.L.U. (formerly called El Rosal S.L.U.): 07 July 2015 LE Retail Sagunto, S.L.U. (formerly called Global Regimonte, S.L.U.): 26 March 2015 LE Retail Megapark, S.L.U. (formerly called Global Morello, S.L.U.): 29 May 2015 LE Retail Galaria, S.L.U. (formerly called Global Misner, S.L.U.): 20 July 2015 Lar España Shopping Centres VIII, S.L.: 04 August 2015 Lar España Parque de Medianas III, S.L.: 04 August 2015 Lar España Offices VI, S.L.: 04 August 2015 LE Offices Arturo Soria, S.L.U. (formerly called Lar España Offices Arturo Soria, S.L.U.): 21 September 2015 LE Retail Villaverde, S.L.U. (formerly called Lar España Parque de Medianas Villaverde, S.L.U.): 21 September 2015

h) Identification of the asset included in the 80% mentioned in article 3.1 of this Law	Investment properties: Txingudi shopping centre Las Huertas shopping centre Arturo Soria office building Single-tenant commercial premises Villaverde Albacenter shopping centre Anec Blau shopping centre Marcelo Spínola office building Hiper Albacenter shopping centre Egeo office building Single-tenant commercial premises Alisal Alovera I industrial bay Alovera II industrial bay Eloy Gonzalo 27 office building As Termas shopping centre Almussafes industrial bay Alovera III industrial bay (C2): Alovera IV (C5-C6) industrial bay: Hiper Ondara shopping centre Joan Miró office building El Rosal shopping centre Portal de la Marina shopping centre As Termas Petrol Station Single-tenant commercial premises Galaria	Capital investments: LE Logistic Alovera I y II, S.A.U (formerly called Lar España Inversión Logística, S.A.U.) LE Retail Hiper Albacenter, S.A.U. (formerly called Lar España Shopping Centres, S.A.U.) LE Offices Egeo, S.A.U. (formerly called Lar España Offices, S.A.U.) LE Retail Alisal, S.A.U. (formerly called Lar España Parque de Medianas, S.A.U.) LE Offices Eloy Gonzalo 27, S.A.U. (formerly called Riverton Gestión, S.L.U.) LE Retail As Termas, S.L.U. (formerly called Global Noctua, S.L.U.) LE Logistic Almussafes, S.L.U. (formerly called Global Zohar S.L.U.) LE Logistic Alovera III y IV, S.L.U. (formerly called Global Tannenberg, S.L.U.) LE Retail Hiper Ondara, S.L.U. (formerly called Global Brisulia, S.L.U.) LE Offices Joan Miró 21, S.L.U. (formerly called Global Meiji, S.L.U.) LE Retail El Rosal, S.L.U. (formerly called El Rosal S.L.U.) LE Retail Sagunto, S.L.U. (formerly called Global Regimonte, S.L.U.) LE Retail Megapark, S.L.U. (formerly called Global Morello, S.L.U.) LE Retail Galaria, S.L.U. (formerly called Global Misner, S.L.U.) Lar España Shopping Centres VIII, S.L. Lar España Parque de Medianas III, S.L. Lar España Offices VI, S.L. LE Offices Arturo Soria, S.L.U. (formerly called Lar España Offices Arturo Soria, S.L.U.) LE Retail Villaverde, S.L.U. (formerly called Lar España Parque de Medianas Villaverde, S.L.U.)
i) Reserves from years in which the special tax regime provided in this Law is applicable that have been applied in the tax period other than for the distribution thereof or to offset losses. The year from which these reserves have been taken should be specified.	-	

22 Risk Management Policy

a Financial risk factors

The Group's activities are exposed to various financial risks: market risk, credit risk, liquidity risk and interest rate risk in cash flows. The Group's global risk management programme focuses on uncertainty in the financial markets and aims to minimise the potential adverse effects on the Group's profits.

The senior management of the Group manages risks in accordance with policies approved by the board of directors. Senior management identifies, evaluates and mitigates financial risks in close collaboration with the Group's operational units. The board of directors issues global risk management policies in writing, as well as policies for specific issues such as market risk, interest rate risk, liquidity risk and investments of cash surpluses.

(i) Market risk

In light of current conditions in the property sector, the Group has established specific measures that it plans to adopt to minimise their impact on its financial position.

The application of these measures is dependent on the outcome of the sensitivity analyses that the Group performs periodically. These analyses take the following factors into consideration:

- The economic environment in which the Group performs its activity: The design of various economic scenarios with different key variables that can affect the Group (interest rates, share price, occupancy rates of investment properties, etc.). The identification of variables that are interconnected and their degree of connection.

- The effect on the Consolidated Statement of Comprehensive Income of the variation of 5 basic points in the variable interest rate in respect of the financial debt with credit institutions would amount to Euros 137 thousand.

- Time frame within which the assessment is made: The time frame for the analysis and the potential deviations should be taken into account.

(ii) Credit risk

Defined as the risk of financial loss for the Group if a customer or counterparty fails to discharge its contractual obligations.

The Group is not significantly exposed to credit risk. The Group has policies in place to limit customer credit risk and it manages its exposure to credit recovery risk as part of its normal activities.

The Group has formal procedures in place to detect impairment of trade receivables. By means of these procedures and the individual analysis by business area, delays in payment can be detected and methods for estimating the impairment loss can be established.

The maximum exposure to credit risk for loans and other receivables at the reporting date of the consolidated statement of financial position is as follows:

Thousands of Euros	Note	2015	2014
Financial assets with associates	10	43,491	-
Security deposits and guarantees	11	10,151	35,873
Trade and other receivables	12	4,647	1,970
Cash and cash equivalents	13	35,555	20,252
		93,844	**58,095**

Group policy for impairment of trade receivables stipulates that a provision must be made for debts of over 90 days for the full amount outstanding, minus any security deposits and guarantees pledged by the debtor.

2015 Thousands of Euros	Not past due	Less than 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Total
Trade and other receivables	1,164	589	105	2,789	4,647
TOTAL ASSETS	**1,164**	**589**	**105**	**2,789**	**4,647**

2014 Thousands of Euros	Not past due	Less than 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Total
Trade and other receivables	399	726	135	710	1,970
TOTAL ASSETS	**399**	**726**	**135**	**710**	**1,970**

At 31 December 2015 and 2014, the Group has recognised impairment on all trade receivables at risk of default covering the maximum exposure at risk. Impairment of receivables by geographical region representing the Group's activities is as follows:

Thousands of Euros	2015	2014
Basque Country	269	342
Castile and Leon	133	99
Catalonia	89	64
Castile La Mancha	38	19
Castile and Leon	108	-
Galicia	21	-
	657	**524**

Cash and cash equivalents

At 31 December 2015 the Group has cash and cash equivalents totalling EUR 35,555 thousand (EUR 20,252 thousand at 31 December 2014), which represents its maximum exposure to risk associated with these assets.

Cash and cash equivalents are held at banks and financial institutions.

(iii) Liquidity risk

Defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group applies a prudent policy to cover its liquidity risks based on having sufficient liquidity to meet its obligations when they fall due in both normal and stressed conditions, without incurring unacceptable losses or placing the Group's reputation at risk.

The Group's exposure to liquidity risk at 31 December 2015 and 2014 is detailed below. The following tables show the analysis of financial liabilities by remaining contractual maturity dates.

2015 Thousands of Euros	Less than 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Indefinite	Total
Financial liabilities from issue of bonds	-	3,504	-	138,233	-	141,737
Loans and borrowings	-	5,593	-	173,354	-	178,947
Derivatives	-	-	-	1,560	-	1,560
Other non-current liabilities - security deposits	-	-	2,651	-	10,774	13,425
Trade and other payables (excluding balances payable to public entities)	1,584	-	4,177	-	-	5,761
TOTAL	**1,584**	**9,097**	**6,828**	**313,147**	**10,774**	**341,430**

2014 Miles de euros	Less than 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Indefinite	Total
Loans and borrowings	-	39	117	37,666	-	37,822
Other non-current liabilities - security deposits	-	-	-	-	5,143	5,143
Trade and other payables (excluding balances payable to public entities)	701	3,727	-	-	-	4,428
TOTAL	**701**	**3,766**	**117**	**37,666**	**5,143**	**47,393**

(iv) Cash flow and fair value interest rate risks

At 31 December 2015 the Group holds short-term fixed-rate financial assets (deposits) to generate a return on cash surpluses not invested in investment properties. Fixed-rate financial assets are for the most part independent of market interest rate fluctuations.

At the reporting date, income and cash flows from the Group's operating activities are not significantly affected by fluctuations in market interest rates.

(v) Tax risk

As mentioned in note 1, the Parent Company and subsidiaries have availed of the special tax regime for SOCIMIs. Pursuant to article 6 of Law 11/2009 of 26 October 2009, amended by Law 16/2012 of 27 December 2012, SOCIMIs adopting the special tax regime are required to distribute profit for the period as dividends to shareholders, after settling all corresponding trading obligations. The dividend distribution must be agreed within six months after each period end and the dividend paid within one month from the date of the agreement (see note 21.b).

Should the shareholders of the companies not approve the dividend distribution proposed by the board of directors, calculated in accordance with the requirements set forth in the aforementioned law, the companies would be in breach of said law and, consequently, would have to file their tax returns under the general tax regime rather than that applicable to SOCIMIs.

23 Revenues

Details of revenue are presented in note 6, in conjunction with segment reporting.

24 Other expenses

Details of other expenses are as follows:

Thousands of Euros	2015	2014
Operating lease expenses	-	32
Independent professional services	15,183	5,357
Insurance premiums	301	139
Bank fees and commissions	31	6
PR and advertising	237	241
Taxes	2,234	582
Impairment losses and uncollectibility of trade and other receivables (see note 12.a)	66	162
Remuneration of the Board of Directors (see note 27.b)	423	260
Other expenses	1,538	452
TOTAL	**20,013**	**7,231**

25 Personnel expenses

Details of personnel expenses at 31 December 2015 and 2014 are as follows:

Thousands of Euros	2015	2014
Salaries and wages	355	93
Other benefits and taxes	41	15
TOTAL	**396**	**108**

26 Profit for the period

Each company's contribution to consolidated profit for the period is as follows:

Thousands of Euros	2015	2014
LAR ESPAÑA REAL ESTATE SOCIMI, S.A.	3,813	3,602
LE LOGISTIC ALOVERA I Y II, S.A.U.	9,130	1,071
LE RETAIL HIPER ALBACENTER, S.A.U.	1,628	(111)
LE OFFICES EGEO, S.A.U.	6,114	(171)
LE RETAIL ALISAL, S.A.U.	1,151	(530)
LE OFFICES ELOY GONZALO 27, S.A.U.	769	(60)
LE RETAIL AS TERMAS, S.L.U.	2,550	(3)
PUERTA MARÍTIMA ONDARA, S.L.	5,515	(342)
LAVERNIA INVESTMENTS, S.L.	(456)	-
INMOBILIARIA JUAN BRAVO 3, S.L.	(2,465)	-
LE LOGÍSTIC ALOVERA III Y IV, S.L.U.	905	-
LE LOGISTIC ALMUSSAFES, S.L.U.	369	-
LE RETAIL HIPER ONDARA, S.L.U.	845	-
LE OFFICES JOAN MIRÓ 21, S.L.U.	1,022	-
LE RETAIL MEGAPARK S.L.U.	4,541	-
LE RETAIL SAGUNTO, S.L.U.	(323)	-
LE RETAIL EL ROSAL, S.L.U.	5,424	-
LE RETAIL GALARIA, S.L.U.	1,262	-
LAR SHOPPING CENTRES VIII, S.L.U.	(1)	-
LAR PARQUE DE MEDIANAS III, S.L.U.	(1)	-
LAR OFFICES VI, S.L.U.	(1)	-
LAR ESPAÑA INVERSIÓN LOGÍSTICA IV, S.L.U.	(1)	-
LE RETAIL VILLAVERDE, S.L.U.	664	-
LE OFFICES ARTURO SORIA , S.L.U.	1,105	-
PROFIT BEFORE INCOME TAX	43,559	3,456
INCOME TAX	-	-
PROFIT AFTER INCOME TAX	**43,559**	**3,456**

27 Related Party Balances and Transactions

a Related party transactions and balances

As stated in note 14, on 12 February 2014, the Parent Company signed an Investment Management Agreement with Grupo Lar Inversiones Inmobiliarias, S.A. (hereinafter "the manager") for the rendering of management services by Grupo Lar Inversiones Inmobiliarias, S.A., including, among others, the acquisition and management of property assets on behalf of the Parent Company and financial management and accrues a fixed amount and an additional amount depending on EPRA NAV of the Company (note 14.g).

Moreover, the Group has executed an agreement with the related Company Gentalia 2006, S.L. (an investee of Grupo Lar Inversiones Inmobiliarias, S.A.) for the provision of real estate asset management services. At 31 December 2015, the expense incurred for this concept amounts to Euros 906 thousand (of which Euros 137 thousand is payable at 31 December 2015). At 31 December 2014 the expense incurred for this item amounted to Euros 288 thousand (of which Euros 95 thousand are payable).

b Information on the Parent Company's board of directors and senior management personnel of the Group

The remuneration received by the members of the board of directors and senior management personnel of the Group during 2015 and 2014, classified by item, is as follows:

2015 Thousands of Euros	**Salaries**	**Allowances**
Board of directors	-	423 (*)
Senior management personnel	355	-

2014 Thousands of Euros	**Salaries**	**Allowances**
Board of directors	-	260
Senior management personnel	93	-

* Allowances for the board of directors include EUR 75 thousand for the non-executive secretary of the board of directors (EUR 50 thousand at 31 December 2014).

At 31 December 2015 the Company had 5 Directors, all of them men (at 31 December 2014 the Company had 5 Directors, all of them men).

At 31 December 2015 and 2014 the Group has no pension or life insurance obligations with former or current members of the board of directors or senior management personnel of the Parent Company.

At 31 December 2015 and 2014 no advances or loans have been extended to members of the board or senior management.

c Transactions other than ordinary business or under terms differing from market conditions carried out by the directors of the Parent Company and members of its supervisory board

Apart from the transactions with related parties listed above, in 2015 the directors of the Parent Company and members of its steering committee have not carried out any transactions other than ordinary business or applying terms that differ from market conditions with the Parent Company or any other Group company.

d Investments and positions held by the directors and their related parties in other companies

The directors of the Parent Company and their related parties have had no conflicts of interest requiring disclosure in accordance with article 229 of the Revised Spanish Companies Act.

Notwithstanding the above, it is informed that the board member Mr. Miguel Pereda Espeso holds the following positions in other companies:

(i) Board member of Grupo Lar Inversiones Inmobiliarias S.A. (managing company of the Company). This situation of potential conflict of interest was saved by the then sole shareholder of the company by the appointment of Miguel Pereda as board member of Lar España Real Estate SOCIMI, S.A. on 5 February 2014.

(ii) President of the board of Villamagna, S.A.

(iii) Sole Administrator of Fomento del Entorno Natural, S.A. in which he is also a shareholder (holding property of 13.85% of the shares).

(iv) Positions in affiliated companies of Grupo Lar Inversiones Inmobiliarias S.A. as indicated below:

Sociedad	Position/Role	Number of Shares	% of Participation
Grupo Lar Terciario, S.L.	Individual representing the President of the Board of Directors of Global Byzas S.L.	N/A	N/A
Inmobérica De Gestión, S.L	Sole Administrator	N/A	N/A
Grupo Lar Actividad Arrendamiento, S.A.	President and several and joint Chief Executive Officer of the board of directors	N/A	N/A
Proaktivo Servicios Generales, S.L.	Sole Administrator	N/A	N/A
Desarrollos Residenciales España, S.L.	Sole Administrator	N/A	N/A
Grupo Lar Senior, S.L.	Individual representing the President of the Board of Directors of Desarrollos Ibéricos Lar, S.L. (previously Grupo Lar Desarrollos de Oficinas S.L.)	N/A	N/A
Grupo Lar Europa Del Este, S.L.	President and Member of the Board of Directors	N/A	N/A
Grupo Lar Real Management, S.L.	Sole Administrator	N/A	N/A
Global Byzas, S.L.	Sole Administrator	N/A	N/A
Grupo Lar Viviendas en Renta, S.L.	Individual representing the Sole Administrator of Grupo Lar Terciario, S.L.	N/A	N/A
Grupo Lar Actividad Residencial, S.L.	Individual representing the President of the Board of Directors of Global Byzas S.L.	N/A	N/A
Parque Comercial Cruce De Caminos, S.L.	Individual representing the Sole Administrator of Desarrollos Comerciales y de Ocio Grupo Lar S.L.)	N/A	N/A
Parque Castilleja, S.L.	Individual representing the President of the Board of Directors of Global Caronte, S.L. and the director of Global Byzas, S.L.	N/A	N/A
Grupo Lar Grosvenor Servicios Dos, S.L.	Individual representing the Sole Administrator of Grupo Lar Terciario, S.L.	N/A	N/A

28 Employee information

The average headcount of the Group at 31 December 2015 and 2014, distributed by category, is as follows:

	2015	2014
Professional category		
Senior management personnel	3	2
TOTAL	**3**	**2**

The distribution of Group personnel by gender at 31 December 2015 and 2014 is as follows:

Number 2015	Female	Male
Senior management personnel	1	2
TOTAL	**1**	**2**

Number 2014	Female	Male
Senior management personnel	1	2
TOTAL	**1**	**2**

29 Audit Fees

During 2015 and 2014, fees for audit and other related services charged to the Group by the auditor of the consolidated annual accounts, Deloitte, S.L., and by companies belonging to the Deloitte network, as well as fees for services charged by the auditors of the individual annual accounts of the companies included in the consolidation and for the entities related thereto through control, shared property or management were as follows (in thousands of Euros):

31 December 2015 Thousands of Euros	
Audit and related services	
Audit services 2015	165
Other verification services	235
Professional services	
Other services	28
TOTAL	**428**

31 December 2014 Thousands of Euros	
Audit-related services	
Audit at 24 January 2014	4
Audit at 31 December 2014	90
Other audit-related services	458
Other services	12
TOTAL	**564**

Other audit-related services include services rendered for the Parent Company's share capital increase and IPO as well as due diligence work related to asset purchases.

30 Events After the Reporting Period

After 31 December 2015, the following significant events related to the Group have occurred:

- On 29 January 2016 Lavernia Investments, S.L., 50% investee of the Parent Company, sold to Global Mauzac, S.L.U. a building located at Calle Claudio Coello, 108 with a total built area of 5,318 square meters for a total of EUR 21.7 million without taking sales costs estimated at EUR 1.7 million into consideration. The Parent Company does not expect this transaction to result in a significant result.

- On 29 January 2016, the Partners of Lavernia Investments, S.L. approved the distribution of the share premium of the Company for the amount of EUR 19.3 million.

31 Explanation added for translation to english

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

a Subsidiaries

					% de partici-pación		Miles de Euros					
Company	Registered office	Activity	Auditor	Type of entity	Direct	Total	Share capital	Operating profit	Profit/ (loss)	Dividends	Other equity	Carrying amount of investment
LE Logistic Alovera I y II, S.A.U.	Rosario Pino 14-16 Madrid	The acquisition and development of properties for lease	-	Subsidiary	100	100	60	3,232	3,238	2,887	44,419	44,309
LE Retail Hiper Albacenter S.A.U.	Rosario Pino 14-16 Madrid	The acquisition and development of properties for lease	-	Subsidiary	100	100	60	885	885	700	11,521	11,660
LE Retail Alisal, S.A.U.	Rosario Pino 14-16 Madrid	The acquisition and development of properties for lease	-	Subsidiary	100	100	60	968	731	487	9,145	9,410
LE Office Egeo, S.A.U.	Rosario Pino 14-16 Madrid	The acquisition and development of properties for lease	-	Subsidiary	100	100	60	2,745	2,226	1,552	34,196	34,560

LE Offices Eloy Gonzalo 27, S.A.U.	Rosario Pino 14-16 Madrid	The acquisition and development of properties for lease	-	Subsidiary	100	100	60	602	602	477	12,453	12,553
LE Retail As Termas, S.L.U.	Rosario Pino 14-16 Madrid	The acquisition and development of properties for lease	-	Subsidiary	100	100	4	2,175	1,615	1,366	30,647	31,339
LE Logistic Alovera III y IV, S.L.U	Rosario Pino 14-16 Madrid	The acquisition and development of properties for lease		Subsidiary	100	100	4	449	449	341	10,489	10,494
LE Logistic Almussafes, S.L.U.	Rosario Pino 14-16 Madrid	The acquisition and development of properties for lease		Subsidiary	100	100	4	337	337	278	8,528	8,534
LE Retail Hiper Ondara, S.L.U.	Rosario Pino 14-16 Madrid	The acquisition and development of properties for lease		Subsidiary	100	100	4	185	185	161	7,248	7,254
LE Offices Joan Miró 21, S.L.U.	Rosario Pino 14-16 Madrid	The acquisition and development of properties for lease		Subsidiary	100	100	4	487	482	419	10,509	10,514
LE Retail Megapark, S.L.U.	Rosario Pino 14-16 Madrid	The acquisition and development of properties for lease		Subsidiary	100	100	4	1,771	720	1,236	4,476	4,482
LE Retail Sagunto, S.L.U.	Rosario Pino 14-16 Madrid	The acquisition and development of properties for lease		Subsidiary	100	100	4	(322)	(322)	-	3,616	3,621
LE Retail El Rosal, S.L.U.	Rosario Pino 14-16 Madrid	The acquisition and development of properties for lease		Subsidiary	100	100	3	1,685	(3,923)	-	5,821	7,720
LE Retail Galaria, S.L.U.	Rosario Pino 14-16 Madrid	The acquisition and development of properties for lease		Subsidiary	100	100	4	223	219	193	4,467	4,473

Lar España Shopping Centres VIII, S.L.U.	Rosario Pino 14-16 Madrid	The acquisition and development of properties for lease	Subsidiary	100	100	3	-	-	-	(1)	3
Lar España Offices VI, S.L.U.	Rosario Pino 14-16 Madrid	The acquisition and development of properties for lease	Subsidiary	100	100	3	-	-	-	(1)	3
Lar España Parque de Medianas III, S.L.U.	Rosario Pino 14-16 Madrid	The acquisition and development of properties for lease	Subsidiary	100	100	3	-	-	-	(1)	3
Lar España Inversión Logistica IV, S.L.U.	Rosario Pino 14-16 Madrid	The acquisition and development of properties for lease	Subsidiary	100	100	3	-	-	-	(1)	3
LE Retail Villaverde, S.L.U.	Rosario Pino 14-16 Madrid	The acquisition and development of properties for lease	Subsidiary	100	100	3	156	135	121	4,945	4,948
LE Offices Arturo Soria, S.L.U.	Rosario Pino 14-16 Madrid	The acquisition and development of properties for lease	Subsidiary	100	100	3	230	191	175	12,334	12,337

b Joint Venture

					% de participación		Miles de Euros					
Company	Registered office	Activity	Auditor	Type of entity	Direct	Total	Share capital	Operating profit	Profit/ (loss)	Dividends	Other equity	Carrying amount of investment
PUERTA MARÍTIMA ONDARA, S.L.	Rosario Pino 14-16 Madrid	The acqui-sition and development of properties for lease	Deloitte	Associate	58.78	58.78	27,240	5,453	3,719	1,539	7,691	20,689
LAVERNIA INVEST-MENTS, S.L.	Rosario Pino 14-16 Madrid	Property leasing and develop-ment	Deloitte	Associate	50	50	6	-	(913)	-	20,402	9,748
Inmobiliaria Juan Bravo 3, S.L.	Rosario Pino 14-16 Madrid	Property leasing and develop-ment	Deloitte	Associate	50	50	3,483	11,232	10,828	-	(32,294)	11,610 (a)

(a) The share value exceeds the theoretic carrying amount due to the existence of implicit capital gains.

Consolidated Directors' Report on the financial year ended at 31 December 2015

1 Situation of the Group

1.1 Situation of the real estate market

Office Market

Madrid

On 31 December 2015 the office rental market in the centre of Madrid revealed favourable evolution in terms of levels of rent in the CBD area, bearing in mind an increase of 4% compared with the same period the previous financial year.

The gross take-up this year was an improvement on the figure for 2014, standing at the close of 2015 at 577,000 m2, an increase of 40%.

Office space in Madrid continues the downward trend which began in the last quarter of 2015, currently amounting to slightly less than 2,000,000 m2. As at 31 December 2015, the vacancy rate was 12.01%.

Prime rent in Madrid is €26.50/m2/month.

Barcelona

Office rents in Barcelona rose 11% on average over the course of 2015.

The gross take-up for the financial year was 398,000 m2, representing an increase of 41% compared with the previous year.

As at 31 December 2015, the vacancy rate was 11%.

Prime rent in Barcelona is €20.00/m2/month.

Logistics market

The investment volume stood at around 602 million euros at the close of 2015, as a result of the entry of major institutional investors and REITs.

Levels of return remained at around 7% in the prime zone.

Take-up once again increased in comparison with 2014, but not as substantially as the volume of investment.

Retail complexes

According to the most recent report published by the Spanish statistical agency, INE, for 30 December 2015, the national occupancy rate increased compared with the 2014 financial year by 1.1%.

This evolution was supported by an increase in sales at retail centres of 4.1% during 2015.

The general retail trade index rose by 1.8% during 2015, with the most notable and strongly performing sectors being personal accessories (3.7%) and household accessories (5.0%).

Consumption in Spain is experiencing a period of momentum, registering an improvement compared with 2014.

Residential market

Prices in the residential market rose by 4.5% during the financial year, according to the statistical information published by the INE.

Within this increase, particular mention should be made of a rise of 4.3% in the price of new residential property, and 4.5% in the case of previously owned homes.

There have been new real estate developments, in particular in Madrid and Barcelona, cities where the market supply of residential real estate already constructed is limited.

Investment market

The market became more competitive, essentially as a result of the following factors:

- During 2015 all sectors (retail, offices and logistics) achieved the levels of investment volume registered before the economic crisis.

- REITs have consolidated their position as key players in the market.

- The entry into the Spanish market of international investors in pursuit of opportunities continues.

- Financing is improving in terms of the loan-to-value or LTV ratio and cost.

Asset management capacities and market access will be key factors over the coming months.

These trends have not altered the initial plans in terms of the investment calendar or the return expected on the investments.

1.2 Organisational structure and operations

The Group is a recently created a group of companies with an outsourced management structure. It has appointed Grupo Lar Inversiones Inmobiliarias, S.A. as its sole manager, said company having more than 40 years of experience in the real estate market and a lengthy track record of generating value through different real estate cycles over past decades, with alliances with some of the most distinguished international investors.

The core responsibilities of the Board of Directors of the Group include the management of strategy, the assignment of resources, risk management and corporate oversight, as well as accounting and financial reports.

The Group undertakes its operations with the following types of asset:

- Retail centres: premises and retail block rental business.

  The Group focuses its strategy on the search for retail centres with considerable growth potential and with shortcomings in terms of asset management, mainly those where there is an opportunity for replacement or expansion.

  The Group also intends to continue investing in retail blocks with a good location and connections.

  In order to embark on these investments, the Group will consider the possibility of signing joint-venture agreements, so as to limit the asset concentration risk and gain access to larger-sized retail complexes.

- Offices: office rental business.

  The Group focuses mainly on the Madrid and Barcelona markets, which account for the main interest on the part of institutional investors, and where liquidity is greater. The Group strategy is to invest in properties that have already been built, refurbishing them and improving their facilities and occupancy.

- Logistics: logistical warehouse rental business.

  The Group aims to invest in large warehouses located on logistical platforms with good landbased connections and major tenants. Also, assets and locations where rents are expected to rise.

- Residential.

  The Group invests in the residential market by focusing above all on primary residences located in the most established districts of Spain's main cities, Madrid and Barcelona.

The Group investment policy focuses essentially on:

- Opportunities for investment in medium-scale assets that offer substantial management possibilities, avoiding those segments where competition could be greater.

- Risk diversification, expanding in Spain mainly through investments in commercial complexes, while with regard to offices and logistical warehouses, the focus is on the Madrid and Barcelona areas, and to a lesser extent a number of major cities such as Valencia. Meanwhile, as regards the residential market (primary residence), the focus is on the main towns and market segments with a limited supply. This will serve to build up a diversified portfolio in terms both of asset type and location.

The company maintains a robust pipeline that offers it security as regards the achievement of its investment plans as forecast.

2 Evolution and result of the businesses

2.1 Introduction

At the close of the 2015 financial year, the Group's ordinary revenue amounted to 35,734 thousand euros, corresponding to the business in which the Group is engaged: the rental business.

During the 2015 financial year the Group incurred "Other expenses" amounting to 20,013 thousand euros, corresponding essentially to the fees for management provided by Grupo Lar Inversiones Inmobiliarias, S.A. to the Group (11,241 thousand euros) and professional services (accounting and legal advice, audit and property valuations) (3,939 thousand euros).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) stood at 18,699 thousand euros.

The appreciation in value during 2015 of the real estate investments held by the Group at 31 December 2015, according to the independent valuation conducted by Cushman & Wakefield and Jones Lang Lasalle at the close of the financial year is 25,978 thousand euros.

The Group's rental business at the close of the 2015 financial year was valued by the same independent valuation agents referred to in the above paragraph at 776,375 thousand euros. The valuation figures are updated twice-yearly, in accordance with best market practice.

The financial result was a negative amount of 3,683 thousand euros.

The Group's profit for the financial year amounted to 43,559 thousand euros.

By area of activity, the following should be emphasised:

- A significant percentage of the Group's revenue is the result of rent from retail centres, accounting for 66% of total revenue, as opposed to 19% from offices and 15% from logistics.

- Around 50% of rental revenue is generated by the Anecblau, As Termas and El Rosal retail centres.

As at 31 December 2015 the Group occupied across its whole business 95.2% the gross leasable area (GLA), the occupancy rate at retail centres being 92.4%, 92.9% for offices and 100% for logistics.

At the close of 2015, the Group had a portfolio of real estate rental projects covering thirteen retail centres (248,762 m^2), five office buildings (41,758 m^2) and five logistical warehouses (161,840 m ^{2}). The overall total gross leasable area is 452,360 m^2.

The figures provided in the two above paragraphs do not take into account the Marcelo Spínola office building, currently in the process of refurbishment.

2.2 Other financial indicators

As at 31 December 2015, the Group revealed the following financial indicators:

- Operating capital of 49,645 thousand euros.
- Liquidity ratio equal to 3.54.
- Solvency ratio equal to 1.06

These ratios represent particularly high values, indicating that the Group enjoys a sufficient level of liquidity and a high degree of safety margin in order to meet its payments.

The ROE (Return on Equity), measuring the return generated by the Company on its shareholder equity, amounts to 9.05%, while the ROA (Return on Assets), measuring the efficiency of the Company's overall assets, irrespective of the sources of finance employed, in other words the capacity of the company's assets to generate revenue, is 5.72%.

2.3 Environmental and staff issues

Environment

The Group undertakes operations the main aim of which is to prevent, reduce or rectify any damage which it could cause to the environment as a result of its activities. However, given its nature, the Group's operations have no significant environmental impact.

Staff

At 31 December 2015 the Group had 3 employees.

3 Liquidity and capital resources

3.1 Liquidity and capital resources

In this second year of operations, the Group obtained liquidity essentially through:

- Issue of 19,967,756 shares of a par value of 2 euros each, plus a share issue premium of 4.76 euros per share.
- Issue of bonds for a total amount of 140,000 euros, maturing in 2022, with an annual coupon of 2.90%.

As at 31 December, the Group's financial debt amounted to 178,947 thousand euros. The level of debt is connected with the acquisition of the Egeo, Arturo Soria and Joan Miró office buildings, the stake in Inmobiliaria Juan Bravo 3 S.L., the Nuevo Alisal, As Termas, Galaria and El Rosal retail centres and the Villaverde retail block.

The Group's aim is for the maturity profile of its debt to be aligned with its capacity to generate cash flows in order to meet its obligations.

Please refer to subsection 1.2 of this report as to the intention for the financing of the Group's future investments.

3.2 Analysis of contractual obligations and off-balance-sheet operations

The Group had no contractual obligations at 31 December 2015 representing a future outgoing of liquid resources, beyond those discussed under item 3.1.

As at 31 December 2015, the Group did not reveal any off-balance sheet operations that had, or foreseeably would have, any effect on the financial situation of the Group, on the structure of revenue and expenditure, the results of operations, liquidity, capital expenses or shareholder equity that would be of a significant volume.

4 Main risks and uncertainties

The Group is exposed to a range of risk factors derived from the inherent nature of its operations. The Group's Board of Directors is responsible for approving the risk management and oversight policy, and assumes responsibility as to the identification of the Company's main risks and supervision of the internal oversight systems, receiving information via the Audit and Oversight Committee. The Group Risk Management and Oversight System groups together those risks that could potentially affect the Group in the following spheres, comprising the Group's corporate risk map.

(i) Market risk

In light of current conditions in the property sector, the Group has established specific measures that it plans to adopt to minimise their impact on its financial position.

The application of these measures is dependent on the outcome of the sensitivity analyses that the Group performs periodically. These analyses take the following factors into consideration:

The economic environment in which the Group performs its activity: The design of various economic scenarios with different key variables that can affect the Group (interest rates, share price, occupancy rates of investment properties, etc.). The identification of variables that are interconnected and their degree of connection.

The effect on the Consolidated Statement of Comprehensive Income of the variation of 5 basic points in the variable interest rate in respect of the financial debt with credit institutions would amount to Euros 137 thousand.

Time frame within which the assessment is made: The time frame for the analysis and the potential deviations should be taken into account.

(ii) Credit risk

Defined as the risk of financial loss for the Group if a customer or counterparty fails to discharge its contractual obligations.

The Group is not significantly exposed to credit risk. The Group has policies in place to limit customer credit risk and it manages its exposure to credit recovery risk as part of its normal activities.

The Group has formal procedures in place to detect impairment of trade receivables. By means of these procedures and the individual analysis by business area, delays in payment can be detected and methods for estimating the impairment loss can be established.

(iii) Liquidity risk

Defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group applies a prudent policy to cover its liquidity risks based on having sufficient liquidity to meet its obligations when they fall due in both normal and stressed conditions, without incurring unacceptable losses or placing the Group's reputation at risk.

(iv) Tax risk

As mentioned in note 1, the Parent Company and subsidiaries have availed of the special tax regime for SOCIMIs. Pursuant to article 6 of Law 11/2009 of 26 October 2009, amended by Law 16/2012 of 27 December 2012, SOCIMIs adopting the special tax regime are required to distribute profit for the period as dividends to shareholders, after settling all corresponding trading obligations. The dividend distribution must be agreed within six months after each period end and the dividend paid within one month from the date of the agreement.

Should the shareholders of the companies not approve the dividend distribution proposed by the board of directors, calculated in accordance with the requirements set forth in the aforementioned law, the companies would be in breach of said law and, consequently, would have to file their tax returns under the general tax regime rather than that applicable to SOCIMIs.

The Group's exposure to liquidity risk at 31 December 2015 and 2014 is detailed below. The following tables show the analysis of financial liabilities by remaining contractual maturity dates.

5 Significant circumstances occurring after the close

After 31 December 2015, the following significant events related to the Group have occurred:

On 29 January 2016 Lavernia Investments, S.L., 50% investee of the Parent Company, sold to Global Mauzac, S.L.U. a building located at Calle Claudio Coello, 108 with a total built area of 5,318 square meters for a total of EUR 21.7 million without taking sales costs estimated at EUR 1.7 million into consideration. The Parent Company does not expect this transaction to result in a significant result.

On 29 January 2016, the Partners of Lavernia Investments, S.L. approved the distribution of the share premium of the Company for the amount of EUR 19.3 million.

6 Information on the foreseeable evolution of the Group

The properties' active management strategy will be the key over the coming years following the volume of investment undertaken since March 2014.

This active management strategy will entail an increase in current rent levels and the return as regards the purchase price, all of which will be reflected in an increase in the value of the assets in our portfolio.

The Group will nonetheless continue to analyse any investment opportunities that could prove attractive, and so continue to generate value for its shareholders.

With the reservations inherent in the current economic cycle, we trust that the Group should be in a position to continue achieving positive progress in the 2016 financial year and beyond.

7 R&D+i activities

Due to the inherent characteristics of the companies that make up the Group, and their activities and structure, the Group does not usually conduct any research, development and innovation initiatives.

8 Acquisition and disposal of treasury stock

The acquisitions were performed within the context of a discretionary treasury stock management contract of which the Spanish Securities Market Commission (CNMV) was informed in accordance with the recommendations published by said body on 18 July 2013.

As at 31 December 2015, the share price stood at 9.46 euros.

As at 31 December 2015, the parent Company held a total of 74,250 shares, representing 0.12% of all shares issued.

9 Other relevant information

9.1 Stock exchange information

The initial share price was 10 euros, and the par value at the close of the financial year was 9.46 euros. During 2015 the average listed share price was 9.62 euros.

It is important to bear in mind that a capital increase was performed in August 2015, through the issuance and release of 19,967,756 new shares, at a subscription price of 6.76 euros each.

The Group does not hold a credit rating from the main international ratings agencies currently.

9.2 Dividend policy

On 28 April 2015 the Shareholders' General Meeting approved the distribution of the Parent Company's results in 2014 in accordance with the proposal formulated by the Parent Company's Directors in their meeting held on 24 February 2015.

The payment of the dividend approved by the Shareholders' General Meeting amounts to EUR 0.033 per share, charged to the results for the financial year 2014, and has been paid in total on the 28 May and 19 June 2015.

9.3 Mean supplier payment period

The mean supplier payment period is 29 days.

10 Annual Corporate Governance report

For the purposes of Article 538 of the Capital Companies Act, it is placed on record that the Annual Corporate Governance report for the 2015 financial year forms a part of this Directors' Report.

Authorisation of the consolidated annual accounts for the period ended 31 December 2015 and statement of compliance
LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

At their meeting held on 25 February 2016, pursuant to the requirements of article 253 of the Revised Spanish Companies Act and article 37 of the Spanish Code of Commerce, the Directors of Lar España Real Estate SOCIMI, S.A. (hereinafter the Company or Lar España) authorised for issue the consolidated annual accounts for the period ended 31 December 2015. The consolidated annual accounts are made up of the attached documents preceding this document and drawn up on the attached pages of ordinary paper, all approved by the Secretary of the Board of Directors, all of the members of the Board of Directors signing this last page.

According to the provisions of Royal Decree 1362/2007, of 19 October, (article 8.1 b) the undersigning Directors of Lar España and Subsidiaries (the "Group"), hereby declare that:

To the best of their knowledge, the consolidated annual accounts for the annual period ended 31 December 2015, prepared in accordance with applicable accounting principles, present fairly the equity, financial position and results of the Group and that the consolidated management report accompanying the consolidated annual accounts includes a reliable analysis of the development and business results and position of Lar España and Subsidiaries together with a description of the principal risks and uncertainties that they face.

Signatories:

Mr. Jose Luis del Valle Doblado (Chairman)

Mr. Alec Emmott

Mr. Roger Maxwell Cooke

Mr. Jose Luis del Valle Doblado (on behalf of Mr. Pedro Luis Uriarte Santamarina)

Mr. Miguel Pereda Espeso

Madrid, a 25 February 2016

*The Director Mr. Pedro Luis Uriarte was unable to attend in person, having stated his approval in such connection, expressly authorising Mr. Jose Luis del Valle to sign the accounts on his behalf.