Consolidated Group REALIA 2014 Accounts

2014

Realia Business, S.A. and Subsidiaries

Consolidated Financial Statements for the year ended 31 December 2014 and Consolidated Directors' Report, together with Independent Auditors' Report.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 32). In the event of a discrepancy, the Spanish-language version prevails.

Deloitte.

Deloitte, S.L.
Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
España
Tel.: +34 915 14 50 00
Fax: +34 915 14 51 80
www.deloitte.es

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 32). In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Realia Business, S.A. and Subsidiaries:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Realia Business, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2014, and the consolidated statement of profit or loss, 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 Realia Business, 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.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of Realia Business, S.A. and Subsidiaries as at 31 December 2014, 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.

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.

Emphasis of Matters

We draw attention to Note 20 to the accompanying consolidated financial statements, which indicate that in September 2013 the Parent completed the refinancing of the syndicated loan associated with its property development business. The Parent has undertaken, inter alia, to take the measures required to obtain funds in order to repay the aforementioned loan in the period remaining until it matures in 2016, either through direct investments in the Parent itself or through asset sales. Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated Directors' report for 2014 contains the explanations which the Parent's Directors consider appropriate about the situation of Realia Business, 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 2014. 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 Realia Business, S.A. and Subsidiaries.

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

Miguel Laserna Niño
27 February 2015

Realia Business, S.A. and Subsidiaries

Consolidated Financial Statements for the year ended 31 December 2014 and Directors' Report, together with Independent Auditors' Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 32). In the event of a discrepancy, the Spanish-language version prevails.

REALIA BUSINESS, S.A. AND SUBSIDIARIES (REALIA GROUP)

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2014

(Thousands of Euros)

ASSETS	31/12/14	31/12/13 (*)
NON-CURRENT ASSETS:		
Intangible assets (Note 8)	47	347
Property, plant and equipment (Note 9)	6,022	8,997
Investment property (Note 10)	885,679	2,263,752
Investments in associates (Note 11)	40,262	40,241
Non-current financial assets (Note 15.2)	12,984	12,374
Deferred tax assets (Note 22)	120,569	149,641
Other non-current assets (Note 15.3)	9,038	8,723
Total non-current assets	**1,074,601**	**2,484,075**
CURRENT ASSETS:		
Non-current assets classified as held for sale (Notes 4 and 13)	-	2,500
Inventories (Note 14)	402,876	450,087
Trade and other receivables (Note 15.1)		
Trade receivables for sales and services	12,384	44,581
Other receivables	3,673	3,289
Current tax assets (Note 22)	2,326	898
Other current financial assets (Note 15.2)	25,249	24,950
Other current assets	3,343	4,290
Cash and cash equivalents (Note 16)	617,545	120,946
Total current assets	**1,067,396**	**651,541**
TOTAL ASSETS	**2,141,997**	**3,135,616**

EQUITY AND LIABILITIES	31/12/14	31/12/13 (*)
EQUITY (Note 17):		
Share capital	73,769	73,769
Share premium	266,242	266,242
Reserves	(132,343)	(81,264)
Less: Treasury shares	(675)	(1,208)
Valuation adjustments (Note 20)	(2,160)	(15,406)
Loss for the year attributable to the Parent	(39,614)	(51,025)
Total equity attributable to the Parent	**165,219**	**191,108**
Non-controlling interests (Note 18)	**136,351**	**514,500**
Total equity	**301,570**	**705,608**
NON-CURRENT LIABILITIES:		
Long-term provisions (Note 19)	7,598	8,313
Non-current financial liabilities:		
Bank borrowings (Note 20)	855,493	1,524,236
Other financial liabilities (Note 20)	600,752	437,484
Deferred tax liabilities (Note 22)	16,118	21,755
Other non-current liabilities (Note 21-a)	16,017	20,258
Total non-current liabilities	**1,495,978**	**2,012,046**
CURRENT LIABILITIES:		
Short-term provisions (Note 19)	1,538	3,500
Current financial liabilities:		
Bank borrowings (Note 20)	97,020	144,778
Other financial liabilities (Note 20)	219,986	204,559
Trade and other payables (Note 21-b)		
Payable to suppliers	8,272	12,093
Other payables	16,085	35,876
Current tax liabilities (Note 22)	1,046	122
Other current liabilities (Note 21-c)	502	17,034
Total current liabilities	**344,449**	**417,962**
TOTAL EQUITY AND LIABILITIES	**2,141,997**	**3,135,616**

(*) Restated figures (see Note 5).

The accompanying Notes 1 to 32 and Appendices are an integral part of the consolidated balance sheet as at 31 December 2014.

REALIA BUSINESS, S.A. AND SUBSIDIARIES (REALIA GROUP)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR 2014
(Thousands of Euros)

	2014	2013 (*)
Revenue (Note 24-a)	97,631	93,342
Other operating income (Note 24-b)	17,716	17,210
Changes in inventories of finished goods and work in progress (Note 14)	(36,394)	(15,852)
Procurements (Note 24-c)	(7,980)	(8,940)
Staff costs (Note 24-d)	(9,118)	(11,207)
Other external expenses (Note 24-c)	(30,927)	(34,549)
Changes in write-downs, impairment losses and provisions (Note 24-i)	5,244	(45,735)
Gains or losses on sale of investment property (Notes 4-x, 10 & 13)	39	724
Gains or losses on disposals of non-current assets (Notes 8 & 9)	-	(60)
Depreciation and amortisation charge (Notes 8, 9 & 10)	(15,527)	(16,110)
Other losses	(61)	(380)
PROFIT (LOSS) FROM OPERATIONS	**20,623**	**(21,557)**
Finance income (Note 24-f)	5,054	22,351
Finance costs (Notes 20 & 24-f)	(43,583)	(65,566)
Capitalised borrowing costs (Notes 10, 14 & 24-f)	-	338
Impairment and gains or losses on disposals of financial instruments (Notes 24-f & 24-h)	(1,137)	40,595
FINANCIAL LOSS	**(39,666)**	**(2,282)**
Result of companies accounted for using the equity method (Notes 5, 11 & 24-e)	(395)	(889)
Net impairment of non-current assets (Notes 9 & 10)	5,049	(2,450)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**(14,389)**	**(27,178)**
Income tax (Note 22)	(23,800)	(826)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**(38,189)**	**(28,004)**
Profit from discontinued operations (Note 13)	1,805	6,785
LOSS FOR THE YEAR	**(36,384)**	**(21,219)**
Attributable to:		
Shareholders of the Parent	**(39,614)**	**(51,025)**
Non-controlling interests (Note 18)	**3,230**	**29,806**
Earnings per share (Note 6):		
From continuing operations (euros/share)		
Basic	**(0.1291)**	**(0.1828)**
Diluted	**(0.1291)**	**(0.1828)**

(*) Restated figures (Notes 5 and 13)

The accompanying Notes 1 to 32 and the Appendices are an integral part of the consolidated statement of profit or loss for 2014.

REALIA BUSINESS, S.A. AND SUBSIDIARIES (REALIA GROUP)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2014
A) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Thousands of Euros)

	(Debit) / Credit	
	2014	2013 (*)
CONSOLIDATED LOSS FOR THE YEAR	(36,384)	(21,219)
INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		
Arising from cash flow hedges (Note 20)	594	(139)
Translation differences	102	(367)
Tax effect	(120)	25
Capital increase	-	(6)
	576	(487)
TRANSFERS TO PROFIT OR LOSS:		
Arising from cash flow hedges (Notes 13 and 24-f)	19,198	40,490
Tax effect	(3,884)	(8,216)
	15,314	32,274
TOTAL RECOGNISED INCOME/(EXPENSE)	(20,494)	10,568
a) Attributable to the Parent	(26,368)	(24,589)
b) Attributable to non-controlling interests	5,874	35,157

(*) Restated figures (Notes 5 and 13)

The accompanying Notes 1 to 32 and Appendices are an integral part of the consolidated statement of comprehensive income for 2014.

REALIA BUSINESS, S.A. AND SUBSIDIARIES (REALIA GROUP)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2014
B) CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

(Thousands of Euros)

	Thousands of Euros										
	Share Capital	Share Premium	Reserves of the Parent	Treasury Shares	Consolidation Reserves	Hedges	Translation Differences	Loss for the Year	Equity Attributable to Shareholders of the Parent	Interest Non-Controlling Interests	Total Equity
Balances at 31 December 2012	66,570	216,851	224,773	(1,572)	13,302	(39,963)	(1,896)	(319,230)	157,846	509,130	666,976
Income and expense recognised in the year	-	-	(6)	-	-	26,809	(367)	(51,025)	(24,589)	35,167	10,568
Allocation of 2012 loss:											
To reserves	-	-	(296,777)	-	(22,453)	-	-	319,220	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	(16,058)	(16,058)
Interim dividends	-	-	-	-	-	-	-	-	-	(888)	(888)
Capital increases and reductions	7,199	50,391	-	-	-	-	-	-	57,590	-	57,590
Treasury share transactions (Note 17)	-	-	(303)	364	-	-	-	-	61	-	61
Changes in the scope of consolidation (Note 2-f)	-	-	-	-	200	-	-	-	200	(12,841)	(12,641)
Balances at 31 December 2013	73,769	266,242	(72,313)	(1,208)	(8,951)	(13,144)	(2,262)	(51,025)	191,108	514,600	705,608
Income and expense recognised in the year	-	-	-	-	-	13,144	102	(39,614)	(26,368)	5,874	(20,494)
Allocation of 2013 loss:											
To reserves	-	-	(64,160)	-	13 135	-	-	51,025	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	(13,367)	(13,367)
Interim dividends	-	-	-	-	-	-	-	-	-	(965)	(965)
Treasury share transactions (Note 17)	-	-	113	533	-	-	-	-	646	-	646
Changes in the scope of consolidation (Note 2-f)	-	-	-	-	(167)	-	-	-	(167)	(369,691)	(369,856)
Balances at 31 December 2014	73,769	266,242	(136,360)	(675)	4,017	-	(2,160)	(39,614)	165,219	136,351	301,670

The accompanying Notes 1 to 32 and Appendices are an integral part of the consolidated statement of changes in total equity for 2014.

REALIA BUSINESS, S.A. AND SUBSIDIARIES (REALIA GROUP)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2014

(Thousands of Euros)

	2014	2013 (*)
1 Loss before tax from continuing operations	**(14,389)**	**(27,178)**
2 Adjustments for:	**46,923**	**65,542**
a) Depreciation and amortisation charge (Notes 8, 9 & 10)	15,527	16,110
b) Other adjustments to profit or loss	31,396	49,432
3 Changes in working capital:	**38,073**	**8,183**
a) Inventories, trade and other receivables and other current assets (Notes 14 & 15.1)	47,122	17,984
b) Trade and other payables and other current liabilities (Note 21)	(9,049)	(9,801)
4 Other cash flows from operating activities:	**8,735**	**11,903**
a) Dividends received	14,480	18,038
b) Income tax recovered/paid	(5,192)	(4,737)
c) Other amounts received/(paid) relating to operating activities	(553)	(1,398)
5 Net cash flows from operating activities of discontinued operations	**3,572**	**46,862**
A CASH FLOWS FROM OPERATING ACTIVITIES	**82,914**	**105,312**
1 Payments due to investment:	**(35,543)**	**(10,063)**
a) Group companies, associates and business units	-	1
b) Property, plant and equipment, intangible assets and investment property (Notes 8, 9 & 10)	(34,766)	(9,859)
c) Other financial assets	(777)	(205)
2 Proceeds from disposal:	**541,325**	**3,069**
b) Property, plant and equipment, intangible assets and investment property (Notes 8, 9 & 10)	38	714
c) Other financial assets	745	2,355
d) Disposal of Group companies (Note 2-f)	540,542	0
3 Other cash flows from investing activities:	**3,969**	**6,871**
a) Interest received	5,505	4,871
b) Other proceeds/payments relating to investing activities	(1,536)	2,000
4 Net cash flows from investing activities of discontinued operations	(9,144)	(14,396)
B CASH FLOWS FROM INVESTING ACTIVITIES	**500,607**	**(14,519)**
1 Proceeds and payments relating to equity instruments:	**649**	**(13,536)**
a) Purchase	(1,059)	(14,314)
b) Disposal	1,708	778
2 Proceeds and payments relating to financial liability instruments:	**(26,963)**	**(47,269)**
a) Issue	6,031	4,035
b) Repayment and redemption	(32,994)	(51,304)
3 Dividends and returns on other equity instruments paid	**(4,247)**	**(4,399)**
4 Other cash flows from financing activities:	**(28,801)**	**(57,279)**
a) Interest paid	(30,479)	(57,697)
b) Other proceeds/payments relating to financing activities	1,678	418
5 Net cash flows from financing activities of discontinued operations	**(27,548)**	**(45,660)**
C CASH FLOWS FROM FINANCING ACTIVITIES	**(86,910)**	**(168,143)**
D EFFECT OF FOREIGN EXCHANGE RATE CHANGES AND OTHER	**(12)**	**(30)**
E NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	**496,599**	**(77,380)**
F CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**120,946**	**198,326**
G CASH AND CASH EQUIVALENTS AT END OF YEAR	**617,545**	**120,946**

(*) Restated figures (Notes 5 and 13)

The accompanying Notes 1 to 32 and Appendices are an integral part of the consolidated statement of cash flows for 2014.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 32). In the event of a discrepancy, the Spanish-language version prevails.

Realia Business, S.A. and Subsidiaries
Notes to the consolidated financial statements
for the year ended 31 December 2014

1. Activities of the Realia Group

The Group companies listed in Appendices I and II engage mainly in the development and operation of real estate businesses. At 2014 year-end these business activities are carried on in Spain, Portugal, Poland and Romania.

The Parent was incorporated on 14 August 1997 as a result of the spin-off of Proyectos y Desarrollos Urbanísticos, S.A. (PRODUSA) into Produsa Este, S.L. and Produsa Oeste, S.L. Its registered office is currently located at Paseo de la Castellana 216, Puerta de Europa, Madrid. On 13 April 2000, the Parent became a public limited liability company. On 5 May 2000, the shareholders at the Annual General Meeting of Produsa Este, S.A. approved the contributions of equity resulting from the spin-off of FCC Inmobiliaria, S.A. and of the equity investments corresponding to Activos Inmobiliarios Caja Madrid, S.L., Centro Inmobiliario Caja Madrid, S.A., Técnicas de Administración y Mantenimiento Inmobiliario, S.L.U. and Planigesa, S.A. (some non-controlling interests). On 14 March 2001, the plan was approved for the merger by absorption of Realia Business, S.A. (the absorbing company) and the companies wholly owned directly or indirectly by it, Centro Inmobiliario Caja Madrid, S.A. (Sole-Shareholder Company), Diagonal Sarriá, S.A. (Sole-Shareholder Company) and Activos Inmobiliarios Caja Madrid, S.L. (Sole-Shareholder Company) (the absorbed companies). This merger plan was filed at the Madrid Mercantile Registry on 28 March 2001, and was approved by the shareholders of these companies at their respective Universal General Meetings held on 5 April 2001. On 8 June 2005, the plan was approved for the merger by absorption of Realia Business, S.A. and Sempreda, S.L., a company wholly owned directly by it. This merger plan was filed at the Mercantile Registry on 26 September 2005. The legally required disclosures relating to these mergers were included in the separate financial statements of Realia Business, S.A. for the related years. On 5 February 2007, the shareholders at the Annual General Meeting of Realia Business, S.A. resolved to restructure the Group through the incorporation of a new company known as Realia Patrimonio, S.L.U. (wholly owned by Realia Business, S.A.), to which the property management business of the Realia Group was contributed.

The object and main business activity of the Parent since its incorporation have been the performance of all activities aimed at the acquisition, disposal, encumbrance, lease, development, construction, urban development, subdivision and operation, by any lawful means, of all manner of rural or urban property assets and rights.

2. Basis of presentation of the consolidated financial statements

a) *Basis of presentation*

The consolidated financial statements for 2014 of the Realia Business Group ("the Realia Group"), which were prepared from the accounting records kept by the Parent and by the other Realia Group companies (detailed in Appendices I and II), were authorised for issue by the directors of the Parent at the Board Meeting held on 27 February 2015.

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs), taking into account all the mandatory accounting principles and rules and measurement bases, so that they present fairly the Realia Business Group's consolidated equity and financial position as at 31 December 2014 and the results of its operations, the changes in the consolidated equity and the consolidated cash flows in the year then ended.

However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements for 2014 may differ from those used by certain Group companies, the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with International Financial Reporting Standards as adopted by the European Union.

In order to uniformly present the various items composing the consolidated financial statements, the accounting policies and measurement bases used by the Parent were applied to all the consolidated companies.

The Group's consolidated financial statements for 2013, prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, were approved by the shareholders at the Annual General Meeting of the Parent held on 24 June 2014. The consolidated financial statements of the Group and the financial statements of the Group entities for 2014 have not yet been approved by their shareholders at the respective Annual General Meetings. However, the Parent's Board of Directors considers that the aforementioned financial statements will be approved without any changes.

b) Measurement currency

These financial statements are presented in euros since this is the currency of the primary economic environment in which the Group operates. Foreign operations are recognised in accordance with the policies established in Note 4-t.

c) Responsibility for the information and use of estimates

The information in these consolidated financial statements is the responsibility of the directors of the Group's Parent.

In the Group's consolidated financial statements for 2014 estimates were occasionally made by the senior executives of the Group and of the consolidated companies, later ratified by the directors, in order tc quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The useful life of the intangible assets, property, plant and equipment and investment property (see Notes 4-a, 4-b and 4-c).

- The fair value of certain unquoted assets (see Notes 4-d and 4-f).

- The fair value of certain financial instruments (see Notes 4-i, 4-j and 4-k).

- The amount of certain provisions (see Notes 4-m and 4-n).

- The recoverability of deferred tax assets (see Note 4-o)

Impairment losses on the Group's property assets were calculated on the basis of appraisals conducted by independent valuers (see Notes 4-d and 4-f).

The fair value of the Group's derivative financial instruments was calculated on the basis of appraisals conducted by independent valuers (see Note 4-k).

Although these estimates were made on the basis of the best information available at 31 December 2014 on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the related consolidated statements of profit or loss.

d) Basis of consolidation

Subsidiaries

The subsidiaries listed in Appendix I, the financial and operating policies of which are controlled by Realia Business, S.A., either directly or through other companies controlled by it, were fully consolidated.

The interest of non-controlling shareholders in the equity and profit or loss of the consolidated companies is presented within equity under "Non-Controlling Interests" in the accompanying consolidated balance sheet and under "Profit (Loss) for the Year - Attributable to Non-Controlling Interests" in the accompanying consolidated statement of profit or loss, respectively.

Joint ventures

In 2014 the Group carried on jointly-managed business activities through interests in joint property entities. These entities were included in the accompanying consolidated financial statements on the basis of the percentage share of the assets, liabilities, income and expenses arising from their operations, and any reciprocal receivables and payables and any income, expenses, gains and losses not realised vis-à-vis third parties were eliminated (see Appendix III).

Associates

The companies listed in Appendix II, over which Realia Business, S.A. does not exercise control but rather has a significant influence, are included under "Investments in Associates" in the accompanying consolidated balance sheet at the underlying carrying amount of the ownership interest. The share in the after-tax profit or loss for the year of these companies is recognised under "Result of Companies Accounted for Using the Equity Method" in the accompanying consolidated statement of profit or loss.

Transactions between Group companies

Gains or losses on intra-Group transactions between consolidated companies are eliminated and are deferred until they are realised vis-à-vis third parties. The capitalised expenses of Group work on non-current assets are recognised at production cost, and any intra-Group results are eliminated. Receivables and payables between consolidated Group companies and any intra-Group income and expenses were eliminated.

e) First-time consolidation differences

Since 1 January 2004, the date of the Group's transition to EU-IFRSs, on acquisition, the assets and contingent liabilities of a subsidiary have been measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If a deficiency of the acquisition cost below the fair values of the identifiable net assets acquired (i.e. a discount on acquisition) is disclosed, the measurements of the net assets are reviewed and, where appropriate, the deficiency is credited to profit or loss in the period in which the acquisition is made.

f) Changes in the scope of consolidation

The changes in the scope of consolidation of the Realia Group (comprising Realia Business, S.A. and its subsidiaries) in 2014 and 2013 were as follows:

Inclusions in the scope of consolidation

There were no additions to the scope of consolidation of the Realia Group in 2014 and 2013.

Exclusions from the scope of consolidation

- 2014:

  On 5 February 2014, the dissolution and liquidation of Mindaza, S.L.U. was executed in a public deed, Realia Business, S.A. being the sole liquidator.

  In May 2014 the shareholders at the Annual General Meeting of Realia Zarea SRL, unanimously resolved to the dissolve and liquidate the company -which is wholly owned by the Group- giving rise to a reduction in consolidated reserves of EUR 209 thousand.

  In May 2014 the Company reached an agreement for the sale of its entire ownership interest in the SIIC de París Group, which represented 58.98% at the time of signature. The agreement provided for a price of EUR 22 per share (EUR 558.9 million in total), less the dividends paid by SIIC de París Group at the transaction closing date (EUR 14.5 million). The costs associated with the aforementioned sale amounted to EUR 4.4 million.

  On 18 July 2014, final approval was received from the French National Competition Commission to permit the completion of the sale transaction, which became effective on 23 July 2014. This transaction gave rise to a gain attributable to the Parent of EUR 4.2 million which is recognised under "Profit from Discontinued Operations" in the accompanying consolidated statement of profit or loss. Pursuant to IFRS 5, this classification represents the discontinuation of the business activities of the Realia Business Group in the French market (see Note 13).

  In November 2014 the sale was completed of the entire ownership interest in Setecampos, which represented 50% of the share capital. At 2013 year-end, the value of this ownership interest was adjusted to its net selling price as there was a firm sales commitment. In 2014 additional losses for transaction costs amounting to EUR 95 thousand were recognised.

- 2013:

  In May 2013 the shareholders at the Annual General Meeting of Noralia, S.A. unanimously resolved to liquidate the company, which is 51% owned by the Group. The company was adjudged to have ceased to exist by court order in November 2013. In January 2014 the dissolution was published in the Spanish Official State Gazette and registered at the Mercantile Registry. This transaction gave rise to a gain of EUR 43.4 million recognised under "Impairment and Gains or Losses on Disposals of Financial Instruments" in the accompanying consolidated statement of profit or loss for 2013 (see Note 24-h), as a result of the company's equity deficit. The transaction resulted in the exclusion of Noralia, S.A. from the scope of consolidation and a fall in the ownership interest of Desarrollo Urbanístico de Sevilla Este, S.L. from 36.10% to 30.52%.

Other changes in the scope of consolidation

- 2014:

  On 24 September 2014, Realia Business Portugal Unipessoal Lda. approved the payment of supplementary contributions by the sole shareholder amounting to EUR 750 thousand in order to meet possible cash deficits, which was fully subscribed and paid by the Parent of the Group.

  In October 2014 Guillena Golf, S.L. increased share capital by EUR 30 thousand, with a share premium of EUR 270 thousand, in order to restore its equity position, which was fully subscribed and paid by the Parent of the Group.

  In June 2014 Wilanow Realia SP increased share capital by EUR 1,886 thousand, which was paid by Realia Business through the partial conversion into capital of the loan held by the latter. Consequently, the ownership interest in that company rose from 38.47% to 51.65%, thereby reducing the ownership interest of the other shareholder, Realia Polska Inwestycje S.P, ZOO, from 61.53% to 48.35%.

- 2013:

In June 2013 non-controlling interests holding a 25% ownership interest in the subsidiary Nasozena, S.L. ceased to be included in the scope of consolidation. The transaction was performed through the acquisition of the aforementioned ownership interest from the non-controlling interests, Reordo, S.L. and Inversiones Saona, S.L., and a subsequent retirement of shares. It gave rise to a EUR 13,248 thousand reduction in non-controlling interests and had a negative impact on consolidated reserves of EUR 1,232 thousand. This transaction resulted in an increase in the ownership interest of As Cancelas in the scope of consolidation of the Group from 37.5% to 50%.

In November 2013 Wilanow Realia SP increased share capital by EUR 1,431 thousand, which was paid by Realia Business through the partial conversion into capital of the loan held by the latter. Consequently, the ownership interest in that company rose from 22.13% to 38.47%, thereby reducing the ownership interest of the other shareholder, Realia Polska Inwestycje SP. Z O.O., from 77.87% to 61.53%.

In November 2013 the wholly owned companies Nasozena and Asuntos Generales Inmobiliarios S.A. (the absorbed companies) were merged into the wholly owned company Portfolio Grades Áreas Comerciales S.A.U. (the absorbing company), with retrospective application to 1 January 2013. Prior to the aforementioned merger, Realia Business S.A. sold and transferred 0.58% of the shares held in Asuntos Generales Inmobiliarios S.A. to the wholly-owned subsidiary Realia Patrimonio. This transaction did not have any significant effects on the consolidated financial statements of the Group.

g) *Comparative information*

The information relating to 2013 contained in these notes to the consolidated financial statements is presented solely for comparison purposes with similar information relating to the year ended 31 December 2014.

The Realia Group applied IFRS 10, IFRS 11 and IFRS 12, which supersede IAS 27 and IAS 31. The information relating to 2013, contained in the notes to the accompanying consolidated financial statements, includes the restatement required by the change in the standard and, therefore, differs from that contained in the notes to the consolidated financial statement for 2013. The foregoing implies the elimination of the proportionate consolidation method as an option for the consolidation of jointly controlled entities, which will be replaced by the equity method (see Note 5).

The business activities of SIIC de Paris were classified as a discontinued operation, as they constituted all the business activities of the Realia Business Groups in the French market. Pursuant to IFRS 5, Non-Current Assets Classified as Held for Sale and Discontinued Operations, in the statement of profit or loss and the statement of cash flows for the period ended 31 December 2013, the balances corresponding to operations classified as discontinued in the period were unified. As a result, the statements of profit or loss for 2014 and 2013 include the profit or loss after tax under "Profit from Discontinued Operations".

h) *Changes in accounting policies*

In 2014 there were no significant changes in accounting policies with respect to those applied in 2013.

i) Correction of errors

In preparing the accompanying consolidated financial statements no errors were detected that would have made it necessary to restate the amounts included in the consolidated financial statements for 2013.

3. Allocation of the loss of the Parent

The allocation of the loss for 2014 proposed by the Parent's directors, which has not yet been approved by the shareholders at the Annual General Meeting, is as follows:

	Thousands of Euros
Prior years' losses	(41,327)
	(41,327)

In 2014 no interim dividends were paid by the Parent.

4. Accounting policies

The accounting policies and measurement bases applied in preparing the Realia Group's consolidated financial statements for 2014 were as follows:

a) Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance which arise as a result of a legal transaction or which are developed internally by the consolidated entities. Only assets whose cost can be estimated reasonably objectively and from which the consolidated companies consider it probable that future economic benefits will be generated are recognised.

Intangible assets are recognised initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses.

b) Property, plant and equipment

Property, plant and equipment are carried at acquisition or production cost. Certain items of property, plant and equipment reflect the effect of revaluation pursuant to Royal Decree-Law 7/1996, of 7 June.

The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

Maintenance and repair expenses not leading to a lengthening of the useful life of the assets are charged to the consolidated statement of profit or loss for the year in which they are incurred.

For non-current assets that necessarily take a period of more than twelve months to get ready for their intended use, the capitalised costs include such borrowing costs as might have been incurred before the assets are ready for their intended use and which have been charged by the supplier or relate to loans or other funds borrowed specifically or generally directly attributable to the acquisition or production of the assets.

Depreciation is calculated, using the straight-line method, on the basis of the acquisition cost of the assets less their residual value; the land on which the buildings and other structures stand has an indefinite useful life and, therefore, is not depreciated.

The period property, plant and equipment depreciation charge is recognised in the consolidated statement of profit or loss on the basis of the average years of estimated useful life of the various assets, the detail being as follows:

	Depreciation Rate
Buildings (for rental and own use) and other structures	1% – 4%
Other fixtures, tools and furniture	4% – 25%
Other items of property, plant and equipment	5% – 25%

Assets in the course of construction for production purposes or for purposes not yet determined are carried at cost, less any recognised impairment losses. Cost includes professional fees. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

c) *Investment property*

"Investment Property" in the accompanying consolidated balance sheet reflects the net values of the land, buildings and other structures held either to earn rentals or for capital appreciation.

Investment property is recognised at acquisition cost, revalued in certain cases pursuant to the applicable legislation, using for all measurement and depreciation purposes the same criteria as those indicated in the preceding section for property, plant and equipment items of the same class. On transition to IFRSs, the Group opted not to revalue any items of investment property at the reporting dates.

As required by IAS 40, the Parent periodically determines the fair value of its investment property items; fair value is taken to be the amount at which two knowledgeable parties would be willing to perform a transaction. The Parent determines fair value by reference to market data furnished by independent external services and, therefore, at year-end the fair value shown in Note 10 reflects the market price of the investment property items at that date.

d) *Impairment of property, plant and equipment, investment property and intangible assets*

At each balance sheet date, the Realia Group reviews the carrying amounts of its property, plant and equipment, intangible assets and investment property to determine whether there is any indication that those assets might have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset itself does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investment property and property, plant and equipment of the companies in the Group's property management business was adjusted through the recognition of the corresponding impairment loss, in order to bring it in line with the gross market value determined by an independent valuer in an appraisal conducted at 31 December 2014, when the market value was lower than the carrying amount. The market value of the rental property is calculated using a combination of valuation methods (Discounted Cash Flow, Sales Comparison Approach and Income Capitalisation Approach), which allow the consistency of the values to be verified. The aforementioned fair value was calculated using the discount rates acceptable to a potential investor and in line with those used in the market for properties of similar characteristics in similar locations.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised under "Net Impairment of Non-Current Assets" in the consolidated statement of profit or loss.

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

e) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance leases

Finance leases are deemed to be those in which the risks and rewards of ownership of the leased asset are transferred to the lessee, which usually has the option to purchase the asset at the end of the lease term, on the conditions agreed upon in the lease.

When the consolidated companies act as the lessor of an asset, the aggregate present values of the lease payments receivable from the lessee plus the price of exercising the purchase option are classified as financing provided to third parties for the amount of the Group's net investment in the leases.

When the consolidated companies act as the lessee, they present the cost of the leased assets in the consolidated balance sheet, based on the nature of the leased asset, and, simultaneously, recognise a liability for the same amount (which will be the lower of the fair value of the leased asset and the aggregate present values of the amounts payable to the lessor plus, where applicable, the price of exercising the purchase option). The depreciation policy for depreciable leased assets is consistent with that for depreciable assets that are owned.

In both cases, the finance income and charges arising under finance lease agreements are credited and charged, respectively, to the consolidated statement of profit or loss so as to reflect a constant periodic rate of return over the term of the agreements.

Operating leases

In operating leases, the ownership of the leased asset and substantially all the risks and rewards relating to the leased asset remain with the lessor.

When the consolidated companies act as the lessor, they present the acquisition cost of the leased asset under "Investment Property". These assets are depreciated using a policy consistent with the lessor's normal depreciation policy for similar items and lease income is recognised in the consolidated statement of profit or loss on a straight-line basis.

When the consolidated companies act as the lessee, lease costs, including any incentives granted by the lessor, are recognised as an expense on a straight-line basis.

Asset exchange transactions

"Asset exchange" means the acquisition of property, plant and equipment or intangible assets in exchange for the delivery of other non-monetary assets or of a combination of monetary and non-monetary assets.

As a general rule, the asset received in an asset exchange transaction with commercial substance is recognised at the fair value of the asset given up, plus, where appropriate, any monetary consideration paid. The valuation differences that arise on derecognition of the asset given up in the exchange are recognised in the statement of profit or loss.

An exchange transaction has commercial substance if the configuration (risk, timing and amount) of the cash flows of the asset received differs from the configuration of the cash flows of the asset transferred or if the present value of the after-tax cash flows of the portion of the Company's operations affected by the transaction changes as a result of the exchange.

Assets received in an exchange that lacks commercial substance are recognised at the carrying amount of the asset given up plus, where appropriate, any monetary consideration paid, up to the limit of the fair value of the asset received if this is lower.

f) Inventories

"Inventories" in the consolidated balance sheet includes assets that the consolidated companies:

1. Hold for sale in the ordinary course of business;

2. Have in the process of production, construction or development for such sale; or

3. Expect to consume in the production process or in the rendering of services.

Consequently, land and other property held for sale or for inclusion in a property development are treated as inventories.

Land and building lots are recognised at acquisition cost, plus any urban development costs and the costs incurred in connection with the purchase (transfer tax, registration expenses, etc.).

The costs incurred in property developments (or in parts of a development) unfinished at year-end are classified as work in progress. These costs include building lots, urban development, construction and borrowing costs and other allocable direct or indirect costs.

The Group companies transfer the accumulated costs of developments that are expected to be completed within twelve months from "Long-Cycle Developments in Progress" to "Short-Cycle Developments in Progress". Also, the accumulated costs of finished developments (or finished parts of developments) are transferred from "Short-Cycle Developments in Progress" to "Completed Developments".

The carrying amount of the Group's inventories was adjusted by recognising the corresponding impairment loss, in order to bring it into line with the market value determined by an independent valuer in an appraisal conducted at 31 December 2014, when the fair value was less than the carrying amount.

g) Trade receivables

Trade receivables do not earn interest and are stated at their nominal value net, where appropriate, of the allowances for estimated unrecoverable amounts.

h) Customer advances

Customer advances received before recognition of the sale on delivery of the property are recognised under "Trade and Other Payables - Customer Advances" on the liability side of the consolidated balance sheet at year-end.

i) *Financial assets*

Financial assets and liabilities are recognised in the Group's consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets are initially recognised at acquisition cost, including transaction costs.

The financial assets held by the Group companies are classified as:

- Held-for-trading financial assets: assets acquired by the companies with the intention of generating a profit from short-term fluctuations in their prices or from differences between their purchase and sale prices.

- Held-to-maturity investments: financial assets with fixed or determinable payments and fixed maturity. The Group has the positive intention and ability to hold them from the date of purchase to the date of maturity. They do not include loans and receivables originated by the company.

- Originated loans and receivables: financial assets originated by the companies in exchange for supplying cash, goods or services directly to a debtor.

- Available-for-sale financial assets: these include securities acquired that are not held for trading purposes and are not classified as held-to-maturity investments or financial assets at fair value through profit or loss, and equity instruments issued by entities other than subsidiaries, associates or jointly controlled entities, provided that they are not classified as at fair value through profit or loss.

Held-to-maturity investments and loans and receivables are measured at amortised cost. Held-for-trading financial assets and available-for-sale financial assets are measured at fair value at subsequent measurement dates. In the case of marketable securities, gains and losses from changes in fair value are recognised in the net profit or loss for the year. In the case of available-for-sale investments, the gains and losses from changes in fair value are recognised directly in equity until the asset is disposed of or it is determined that it has become impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the net profit or loss for the year.

j) *Financial liabilities and equity*

Financial liabilities and equity instruments are classified in accordance with the content of the contractual arrangements. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

The main financial liabilities held by the Group companies are held-to-maturity financial liabilities, which are measured at amortised cost.

Translation differences

In general, the financial statements of foreign operations denominated in currencies other than the euro were translated to euros at the year-end exchange rates, with the exception of:

- Capital and reserves, which were translated at the historical exchange rates.

- Statement of profit or loss items of foreign subsidiaries and associates, which were translated at the average exchange rates for the year.

- All other asset and liability items were translated at the year-end exchange rates.

The translation differences of the foreign companies included in the scope of consolidation, which applied the closing rate method, are recognised net of tax, under "Equity - Valuation Adjustments" in the accompanying consolidated balance sheet. These translation differences are not material.

Equity instruments

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

Bank loans

Interest-bearing bank loans and overdrafts are recognised at the proceeds received, net of direct issue costs. Borrowing costs, including premiums payable on settlement or redemption and direct issue costs, are recognised in the consolidated statement of profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

- Trade payables are not interest bearing and are stated at their nominal value.

k) Derivative financial instruments and hedge accounting

In order to qualify for hedge accounting at the Realia Group, a derivative must necessarily hedge one of the following three types of risk:

- Changes in the fair value of assets and liabilities due to fluctuations in the price, interest rate and/or exchange rate to which the position or balance to be hedged is subject ("fair value hedge").

- Changes in the estimated cash flows arising from financial assets and liabilities, obligations and highly probable forecast transactions ("cash flow hedge").

- The net investment in a foreign operation ("hedge of a net investment in a foreign operation").

The derivative must also effectively offset the exposure inherent to the hedged item or position throughout the expected term of the hedge, and there must be adequate documentation evidencing the specific designation of the financial derivative to hedge certain balances or transactions and how this effectiveness was intended to be achieved and measured.

Hedge accounting, where applicable, is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

The Group's activities are exposed mainly to interest rate risks. In order to partially hedge this exposure, the Group used interest rate hedges, mainly in the form of swaps. At 31 December 2014, the Group had not arranged any interest rate hedges as they expired in June 2014. At 31 December 2013, 40.1 %,of its floating-rate financial debt was hedged against possible interest rate increases (see Note 20).

The derivatives arranged by the Realia Group met all the requirements to qualify for hedge accounting under IFRSs and, consequently, the changes in the fair value of these derivative instruments in 2014 and 2013 were recognised under "Equity - Valuation Adjustments" in the accompanying consolidated balance sheet.

The companies determine periodically the fair value of the derivatives arranged, which is taken to be the price at which two knowledgeable parties would be willing to carry out a transaction. Fair value is determined by reference to market data furnished by independent external services and, therefore, at year-end the fair value reflects the market price of the derivatives at that date.

l) Shares of the Parent

All the shares of the Parent are deducted from equity. At 31 December 2014, the Parent held 610,000 treasury shares, the acquisition cost of which amounted to EUR 675 thousand (EUR 1.11/share). The sale of these shares on the market gave rise to a gain of EUR 113 thousand, which was recognised in "Reserves" in the accompanying consolidated balance sheet.

The transactions involving treasury shares in 2014 are summarised in Note 17.

m) Provisions

The Group's consolidated financial statements include all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated financial statements, but rather are disclosed, as required by IAS 37.

Provisions, which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year, are used to cater for the specific obligations for which they were originally recognised. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

Provisions for warranty costs, particularly after-sales expenses, other costs and the ten-year guarantee required under Spanish regulations governing real estate companies, are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's liability.

n) Termination benefits

Under current legislation, the companies are required to pay termination benefits to employees terminated under certain conditions. Therefore, termination benefits that can be reasonably quantified are recognised as an expense in the year in which the decision to terminate the employment relationship is taken. The accompanying consolidated financial statements do not include any provision in this connection since no situations of this nature had arisen at 31 December 2014.

Collective redundancy procedure

In August 2013 the Group Parent, Realia Business S.A. submitted the documentation in relation to a collective redundancy procedure to the Directorate-General of Employment of the Spanish Ministry of Employment and Social Security. The collective redundancy procedure was implemented in the second half of 2013. The overall termination benefit cost amounted to EUR 1,532 thousand and was recognised under "Staff Costs" in the consolidated statement of profit or loss for 2013.

ñ) Pension plans and similar obligations

For employees with at least two years' service, the Parent has externalised a defined contribution pension plan to provide benefits in the form of a lump sum. The annual contribution consists of 7% of the employees' annual fixed remuneration plus 3% of their annual variable remuneration, excluding incentives and commissions. The total accumulated contribution at 31 December 2014 amounted to EUR 6,278 thousand (31 December 2013: EUR 5,991 thousand). The annual contribution is recognised under "Staff Costs" in the consolidated statement of profit or loss (see Note 24-d). The Parent also has an insurance policy to cover the amounts which, in application of the established percentages, exceed the maximum legal contribution to employee pension funds.

o) Income tax

The income tax expense is recognised in the consolidated statement of profit or loss, except when it results from a transaction recognised directly in equity, in which case the income tax is also recognised in equity.

The income tax expense represents the sum of the current tax expense and the deferred tax assets and liabilities.

The current income tax expense is calculated on the basis of the taxable profit (tax loss) for the year. The taxable profit differs from the net profit reported in the consolidated statement of profit or loss because it excludes income and expense items that are taxable or deductible in other years and also excludes items that will never be taxable or deductible. The Group's current tax liability is calculated using the tax rates that have been approved or substantively approved at the balance sheet date.

Deferred tax assets and liabilities are taxes expected to be recoverable or payable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the calculation of taxable profit. Deferred tax assets and liabilities are accounted for using the balance sheet liability method and are measured by applying to the related temporary difference or tax asset the tax rate that is expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences. A deferred tax liability is recognised for taxable temporary differences arising from investments in subsidiaries and associates and from interests in joint ventures, except when the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

However:

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

2. No deferred tax liabilities are recognised for goodwill arising on an acquisition.

The deferred tax assets and liabilities recognised are reassessed at each balance sheet date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

Also, at consolidated level, any differences between the consolidated carrying amount of an investment in an investee and the related tax base are also taken into account. In general, such differences arise from the undistributed profits generated since the date of acquisition of the investee, from tax credits associated with the investment and, in the case of investees with a functional currency other than the euro, from translation differences. The deferred tax assets and deferred tax liabilities arising from these differences are recognised, unless, in the case of taxable temporary differences, the investor is able to control the timing of the reversal of the temporary difference and, in the case of deductible temporary differences, it is probable that the temporary difference will reverse in the foreseeable future and it is probable that the Group will have sufficient future taxable profits.

Tax regime in Spain

The Group has filed consolidated returns since 2007. The tax group is made up of the Parent and all the subsidiaries, both public and private limited liability companies, that are resident in Spain and in which the Parent, directly or indirectly, has an ownership interest of at least 75% (see Appendix I). The tax group number is 135/07.

p) *Revenue and expense recognition*

Revenue and expenses are recognised on an accrual basis. Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

The Group companies recognise property development sales and the related cost when the properties are handed over and title thereto has been transferred.

Revenue from the sale of land and building lots is recognised when the risks and rewards are transferred to the purchaser, which normally coincides with the date of execution of the related public deeds and the transfer of ownership.

Rent revenue is recognised on an accrual basis and incentive-related income and the initial costs of lease agreements are allocated to income on a straight-line basis.

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset to that asset's carrying amount.

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established.

q) *Borrowing costs*

Borrowing costs directly attributable to the construction of the Group's investment property and inventories, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. In 2014 no borrowing costs were capitalised in this connection (2013: EUR 338 thousand) (see Note 24-f).

All other borrowing costs are recognised in the consolidated statement of profit or loss in the year in which they are incurred, on an accrual basis and by application of the effective cost method.

r) *Profit (Loss) from operations*

The profit or loss from operations is presented before the share of results of associates, investment income and finance costs.

s) *Consolidated statement of cash flows*

The following terms are used in the consolidated statements of cash flows (prepared using the indirect method) with the meanings specified:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

- Operating activities: the principal revenue-producing activities of the consolidated Group companies and other activities that are not investing or financing activities.

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

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

t) Foreign currency transactions and balances

The Group's functional currency is the euro. Therefore, transactions in currencies other than the euro are deemed to be "foreign currency transactions" and are recognised by applying the exchange rates prevailing at the date of the transaction.

At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated to euros at the exchange rates prevailing at the date when the fair value was determined. Any translation gains or losses on monetary assets and liabilities are included in net profit or loss for the year; however, in the case of exchange differences arising on non-monetary assets and liabilities, changes in the fair value are recognised directly in equity.

The equivalent euro value of the total foreign currency assets and liabilities held by the Group at 31 December 2014, which were not material, related in full to the Group companies Realia Polska Inwestycje, Z O.O., Willanow Realia SP. Z O.O. and Realia Contesti, S.R.L.

u) Current assets and liabilities

The Group has opted to present current assets and liabilities on the basis of the ordinary course of its business. The current assets and liabilities with an estimated maturity of more than twelve months are as follows:

	Thousands of Euros	
	2014	2013
Earmarked for sale	-	2,500
Inventories (Note 14)	313,244	329,362
Total current assets	**313,244**	**332,362**
Bank borrowings	45,234	99,073
Other financial liabilities	210,834	170,227
Trade and other payables	3,706	2,577
Total current liabilities	**259,774**	**271,877**

At 31 December 2014, the balance of "Bank Borrowings" in the foregoing table related to mortgage loans and syndicated loans. Also, the amounts recognised under "Other Financial Liabilities" relate to mortgage loans transferred to Spain's Bank Restructuring Asset Management Company (SAREB) and syndicated loans transferred to the financing entities Aneto Global Investment, Puffin Real Estate Limited, AXA France IARD, AXA Insurance UK Plc and MML Dublin Mortgage Loans (see Note 20).

v) Non-current assets classified as held for sale

Non-current assets classified as held for sale are recovered mainly through their sale rather than through continuing use.

An asset is classified as a non-current asset classified as held for sale when Group management is committed to a plan to sell the asset, the sale is considered to be highly probable and an active programme to locate a buyer and complete the plan have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. The sale must be expected to be completed within one year from the date of classification. The liabilities directly associated with the assets classified as held for sale that will be transferred in the transaction are also classified. Any liabilities retained by the seller will not be included in the liabilities to be classified as held for sale.

Initial recognition

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

In addition, any impairment will be determined when the assets are classified as a non-current asset classified as held for sale and the related impairment loss are recognised.

Subsequent measurement

While an asset is classified as a non-current asset held for sale, it is not depreciated but rather the appropriate valuation adjustments are made to ensure that the carrying amount is not higher than fair value less costs to sell.

When the criteria required for classifying an asset as held for sale are no longer met, the asset is reclassified under the balance sheet heading corresponding to its nature and is measured at the reclassification date at the lower of its carrying amount prior to its classification as a non-current asset held for sale adjusted, if appropriate, by the amortisation and depreciation charge and impairment losses which would have been recognised had it not been classified as held for sale, and its recoverable amount. Any difference is recognised in the statement of profit and loss in accordance with its nature.

The impairment losses on non-current assets classified as held for sale, and the reversal thereof when the circumstances giving rise to them cease to exist, are recognised in profit or loss, unless they have to be recognised directly in equity based on the general criteria applicable to the assets in their specific rules.

w) Costs passed on to tenants

The Group treats as income the costs passed on to the lessees of its investment property. The amounts billed in this connection, which in 2014 totalled EUR 16,672 thousand (2013: EUR 15,417 thousand), are recognised under "Other Operating Income" in the accompanying consolidated statement of profit or loss (see Note 24-b).

x) Sales of investment property

The Group recognises the net income obtained from the sale of investment property under "Gains or Losses on Sales of Investment Property" in the accompanying consolidated statement of profit or loss. In 2014 this income relates to price adjustments, arising on sales transactions in prior years, amounting to EUR 39 thousand (2013: EUR 724 thousand).

y) Profit from discontinued operations

A discontinued operation is any component of the Group that has been sold or disposed of in any other way or has been classified as held for sale and, among other conditions, represents a line of business or significant area that can be distinguished from the rest.

For operations of this nature, the Group includes in the consolidated statement of profit or loss under a single heading entitled "Profit/Loss for the Year from Discontinued Operations" both the profit or loss after tax of discontinued operations and the profit or loss after tax from the disposal of the items constituting the discontinued operation.

Also, when operations are classified as discontinued, the Group presents under the aforementioned heading the amount for the preceding year relating to the operations that have been discontinued at the end of the reporting period to which the consolidated financial statements refer.

5. Adoption of standards and interpretations issued (in force and not yet in force)

In 2014 new accounting standards came into force and were therefore taken into account when preparing the accompanying consolidated financial statements:

- In 2014 the Realia Group applied amendments IFRS 10, IFRS 11 and IFRS 12, which supersede IAS 27 and IAS 31. The fundamental change introduced is in the measurement of control and exposure to business risks and profit, and basically entails the elimination of the option to proportionately consolidate jointly controlled entities, which will begin to be accounted for using the equity method.

  The coming into force of the foregoing standards led to the evaluation of the control exercised by the Realia Group and as a result, the change in the method of consolidation whereby As Cancelas Siglo XXI S.L., Studio Residence Ibéria Investimentos Imobiliários. S.A., Setecampos Sociedade Imobiliária, Lda. and Inversiones Inmobiliarias Rústicas y Urbanas 2000, S.L., which were proportionately consolidated began to be accounted for using the equity method in the accompanying consolidated financial statements.

  Consequently. the information relating to 2013, contained in the notes to the accompanying consolidated financial statements, includes the restatement required by the change in the standard and, therefore, differs from that contained in the notes to the consolidated financial statements for 2013. Only the consolidated balance sheet as at 31 December 2013 was restated since there were no significant differences in comparison with the balance at the beginning of the comparative period, i.e. 1 January 2013, and there was no impact on equity.

  The effect of the amendments to IFRSs 10, 11 and 12 had the following impact on the consolidated balance sheet as at 31 December 2013:

	31/12/13 (*)	Impact Application of IFRSs 10, 11 and 12	31/12/13
Investment property	2,306,287	(42,535)	2,263,752
Investments in associates	143	40,098	40,241
Other non-current assets	181,046	(964)	180,082
Total non-current assets	**2,487,476**	**(3,401)**	**2,484,075**
Inventories	473,910	(23,823)	450,087
Other current financial assets	1,958	22,992	24,950
Other current assets	178,344	(1,840)	176,504
Total current assets	**654,212**	**(2,671)**	**651,541**
Total tax assets	**3,141,688**	**(6,072)**	**3,135,616**
Total equity	**705,608**	-	**705,608**
Total non-current liabilities	**2,015,471**	**(3,425)**	**2,012,046**
Total current liabilities	**420,609**	**(2,647)**	**417,962**
Total liabilities	**3,141,688**	**(6,072)**	**3,135,616**

(*) Obtained from the consolidated financial statements for 2013 prepared in accordance with the accounting principles and rules applicable at that date.

The impact of the aforementioned regulatory changes on the various items in the accompanying consolidated statement of profit or loss for 2013 is as follows:

	31/12/13 (*)
Revenue	(3,356)
Other operating income	(1,783)
Changes in inventories of finished goods and work in progress	(283)
Procurements	-
Other operating expenses	2,325
Changes in provisions and allowances	281
Depreciation and amortisation charge	1,315
Other gains	(33)
Profit from operations	**(1,534)**
Net financial loss	**878**
Impairment losses on non-current assets	1,239
Income tax	**306**
Consolidated loss	**889**
Result of companies accounted for using the equity method (**)	**(889)**

(*) Obtained from the consolidated financial statements for 2013 prepared in accordance with the accounting principles and rules applicable at that date.

(**) Obtained by applying the new accounting standards IFRS 10, IFRS 11 and IFRS12.

The impact of the aforementioned regulatory changes on the various items of the consolidated statement of cash flows for 2013 in the accompanying consolidated financial statements is as follows:

	Impact Application of IFRS 10, IFRS 11 and IFRS 12
CASH FLOWS FROM OPERATING ACTIVITIES (I)	**(3,993)**
Profit (loss) for the year before tax	(306)
Adjustments for:	(2,570)
Changes in working capital	(1,095)
Other cash flows from operating activities	(22)
CASH FLOWS FROM INVESTING ACTIVITIES (II)	**8,218**
Payments due to investment	6,187
Other cash flows from investing activities	2,031
CASH FLOWS FROM FINANCING ACTIVITIES (III)	**(13)**
Other cash flows from financing activities	(13)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES (IV)	**359**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)	**4,571**

- Amendments to IAS 32, Financial Instruments. Additional clarifications to the rules for offsetting financial assets and financial liabilities and introduction of new related disclosures under IFRS 7.

- Amendments to IAS 36, Impairment of Assets. Clarify when certain disclosures are required and extends the disclosures required when recoverable amount is based on fair value less costs of disposal.

- Amendments to IAS 39, Financial Instruments. The amendments establish the cases in which -and subject to which criteria- there is no need to discontinue hedge accounting if a derivative is novated.

- Revisions to IAS 27 and 28, Separate Financial Statements. The IAS is revised, since as a result of the issue of IFRS 10 and 11 it applies only to the separate financial statements of an entity.

These amendments did not have any material impact on the consolidated financial statements for 2014.

At the date of preparation of the 2014 consolidated financial statements, the most significant standards and their interpretations that had been published by the International Accounting Standards Board (IASB) but had not yet come into force because they had not yet been adopted by the European Union, were as follows:

Standards, Amendments and Interpretations of Standards		Obligatory Application in Annual Reporting Periods Beginning On or After:
Approved for Use in the European Union		
Amendment to IAS 19	Defined benefit plans: employee contributions	Annual reporting periods beginning on or after 1 July 2014.
Improvements to IFRSs, 2010-2012 cycle and 2011-2013 cycle	Minor amendments to a series of standards.	Annual reporting periods beginning on or after 1 July 2014.
IFRIC 21	Levies	Annual reporting periods beginning on or after 17 June 2014
Not yet approved for use in the European Union		
IFRS 9	Financial Instruments: Classification and Measurement.	Annual reporting periods beginning on or after 1 January 2018.
IFRS 15	Revenue from Contracts with Customers	Annual reporting periods beginning on or after 1 January 2017.
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Annual reporting periods beginning on or after 1 January 2016.
Amendments to IAS 27	Equity method in separate financial statements.	Annual reporting periods beginning on or after 1 January 2016.
Amendments to IFRS 11	Accounting for acquisitions of interests in joint operations.	Annual reporting periods beginning on or after 1 July 2016.
Amendments to IAS 16 and IAS 38	Classification of acceptable methods of depreciation and amortisation	Annual reporting periods beginning on or after 1 July 2016.
Amendments to IAS 1	Disclosure initiative	Annual reporting periods beginning on or after 1 July 2016.

6. Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the net profit or loss attributable to the Group (after tax and non-controlling interests) by the weighted average number of ordinary shares outstanding during the year, excluding the average number of treasury shares held in the year.

Accordingly:

	2014	2013
Net loss for the year attributable to the Parent (thousands of euros)	(39,614)	(51,025)
Weighted average number of shares outstanding	306,760,932	279,089,028
Basic earnings per share (euros)	(0.1291)	(0.1828)

At 31 December 2014 and 2013, the diluted earnings per share were the same as the basic earnings per share, since there were no debentures or shares that could potentially be converted into ordinary shares.

7. Segment reporting

a) Basis of segmentation

Segment reporting is structured on a primary basis by business segment and on a secondary basis by geographical segment.

Primary segments - business segments

The business lines described below were established on the basis of the Realia Business Group's organisational structure at the end of 2014 and 2013, taking into account, on the one hand, the nature of the goods and services offered and, on the other, the customer segments at which they are targeted.

In 2014 the Realia Group engaged mainly in the following major lines of business, which provides the basis on which the Group presents the information on its primary segments:

1. Sale of property developments and land.

2. Property rentals.

Secondary segments - geographical segments

Also, the Realia Business Group's operations are located mainly in Spain and until July 2014, in France, although it also carries on business activities in other countries (Poland, Romania and Portugal).

b) Basis and methodology for segment reporting

The segment reporting below is based on monthly reports prepared by the Parent's management which are generated through a computer application used to obtain all of the Group's accounting data.

Segment revenue is the revenue directly attributable to the segment plus the relevant proportion of the Group's general income that can be allocated thereto using reasonable allocation bases. Segment revenue excludes interest income and dividends but includes the proceeds from the sale of non-current assets. It also includes the relevant proportion of the revenue of proportionately consolidated joint ventures.

Segment expenses are the expenses directly attributable to each segment arising from its operating activities, plus the corresponding proportion of expenses that can be allocated thereto using a reasonable allocation basis. Segment expenses must include the relevant proportion of the expenses of proportionately consolidated joint ventures.

The segment result is presented after adjustments for non-controlling interests.

Segment assets and liabilities are those directly related to each segment's operations, plus the assets and liabilities that can be directly attributed thereto using the aforementioned allocation system, and include the proportional part of the assets and liabilities of joint ventures.

Primary segment information

	Thousands of Euros							
	Sale of Property Developments and Land		Property Rentals		Consolidation Adjustments		Total Group	
	2014	2013 (*)	2014	2013 (*)	2014	2013 (*)	2014	2013 (*)
Revenue:								
External sales (1)	35,973	30,116	79,413	81,160	-	-	115,386	111,276
Inter-segment sales	1,918	2,339	456	457	(2,374)	(2,796)	-	-
Total revenue	**37,891**	**32,455**	**79,869**	**81,617**	**(2,374)**	**(2,796)**	**115,386**	**111,276**
Result:								
Profit (loss) from operations-	(14,787)	(56,818)	35,410	35,261	-	-	20,623	(21,557)
Financial profit (loss)	(19,388)	34,159	(20,278)	(36,441)	-	-	(39,666)	(2,282)
Share of results of associates	(914)	(250)	519	(639)	-	-	(395)	(889)
Net impairment on non-current assets	13	129	5,036	(2,579)	-	-	5,049	(2,450)
Profit (loss) before tax	(35,076)	(22,780)	20,687	(4,398)	-	-	(14,389)	(27,178)
Income tax	(18,363)	(1,849)	(5,437)	1,023	-	-	(23,800)	(826)
Discontinued operations	-	-	1,805	6,785	-	-	1,805	6,785
Non-controlling interests	33	21,211	3,197	8,595	-	-	3,230	29,806
Segment result	(53,472)	(45,840)	13,858	(5,185)	-	-	(39,614)	(51,025)

(*) Restated figures (see Note 5).

(1) The revenue of the "Property Rentals" segment includes the sales of investment property (see Note 4-x) and the billings of costs passed on to tenants (see Note 4-w) and others, since the Group uses this presentation for internal management purposes. Note 24-a contains a breakdown of revenue by geographical area Inter-segment transactions are performed on an arm's length basis.

	Thousands of Euros							
	Sale of Property Developments and Land		Property Rentals		Consolidation Adjustments		Total Group	
	2014	2013	2014	2013	2014	2013	2014	2013
Other information:								
Additions to fixed assets	28	127	39,849	49,228	-	-	39,877	49,355
Depreciation and amortisation charge	(331)	(528)	(15,196)	(15,582)	-	-	(15,527)	(16,110)
Net impairment recognised in profit or loss-	3,264	(54,548)	5,036	(2,579)	-	-	8,300	(57,127)
Investment property	13	129	5,036	(2,579)	-	-	5,049	(2,450)
Inventories and other assets	3,251	(54,677)	-	-	-	-	3,251	(54,677)
Balance sheet:								
Assets-								
Segment assets	566,571	618,085	1,609,717	2,561,599	(74,553)	(84,309)	2,101,735	3,095,375
Equity invesments in companies Associates	16,890	17,388	23,372	22,853	-	-	40,262	40,241
Consolidated total assets	**583,461**	**635,473**	**1,633,089**	**2,584,452**	**(74,553)**	**(84,309)**	**2,141,997**	**3,135,616**
Liabilities-								
Segment liabilities	583,461	635,473	1,633,089	2,584,452	(74,553)	(84,309)	2,141,997	3,135,616
Consolidated total liabilities	**583,461**	**635,473**	**1,633,089**	**2,584,452**	**(74,553)**	**(84,309)**	**2,141,997**	**3,135,616**

Secondary segment information

The detail of certain of the Group's consolidated balances based on the geographical location of the companies that gave rise to them is as follows:

	Thousands of Euros							
	Income		Non-Current Assets		Total Assets		Additions to Property, Plant and Equipment and Intangible Assets	
	2014	2013	2014	2013	2014	2013	2014	2013
Spain	105,949	106,222	1,074,518	1,080,373	2,133,311	1,643,506	32,739	11,250
France	-	-	-	1,403,603	-	1,470,586	7,138	38,105
Portugal	1,470	610	82	97	3,595	7,653	-	-
Other	7,967	4,444	1	2	5,091	13,871	-	-
	115,386	**111,276**	**1,074,601**	**2,484,075**	**2,141,997**	**3,135,616**	**39,877**	**49,355**

8. Intangible assets

The changes in the various intangible asset items in 2014 and 2013 were as follows:

	Thousands of Euros Other Intangible Assets
Cost:	
Balances as at 31 December 2012	3,741
Additions	122
Balances as at 31 December 2013	**3,863**
Additions	32
Disposals	(57)
Changes in the scope of consolidation (Notes 2-f and 13)	(1,502)
Balances as at 31 December 2014	**2,336**
Accumulated amortisation:	
Balances as at 31 December 2012	(3,172)
Impairment losses recognised	(344)
Balances as at 31 December 2013	**(3,516)**
Impairment losses recognised	(158)
Disposals	57
Changes in the scope of consolidation (Notes 2-f and 13)	1,328
Balances as at 31 December 2014	**(2,289)**
Intangible assets, net:	
Balances as at 31 December 2013	347
Balances as at 31 December 2014	47

The balances as at 31 December 2014 and 2013 relate mainly to computer software.

In 2014 the Group recognised an amortisation charge for intangible assets of EUR 158 thousand (2013: EUR 344 thousand), of which EUR 64 thousand (2013: EUR 81 thousand) were recognised under "Depreciation and Amortisation Charge" and EUR 94 thousand (2013: EUR 263 thousand) were recognised under "Profit from Discontinued Operations" in the accompanying consolidated statement of profit or loss (see Note 13).

Fully amortised intangible assets still in use amounted to EUR 2,217 thousand at 31 December 2014 (31 December 2013: EUR 2,766 thousand).

9. Property, plant and equipment

The changes in "Property, Plant and Equipment" in the consolidated balance sheet in 2014 and 2013 were as follows:

	Thousands of Euros		
	Buildings, Plant and Equipment	Other Items of Property, Plant and Equipment	Total
Cost:			
Balances as at 31 December 2012	8,004	5,890	13,894
Additions	143	1,073	1,216
Disposals	(154)	(82)	(236)
Transfers (Note 10)	(207)	6	(201)
Foreign exchange rate changes	-	(1)	(1)
Balances as at 31 December 2013	**7,786**	**6,886**	**14,672**
Additions	28	354	382
Disposals	-	(20)	(20)
Transfers (Note 10)	205	(183)	22
Changes in the scope of consolidation (Notes 2-f and 13)	(2,639)	(1,340)	(3,979)
Foreign exchange rate changes	-	(1)	(1)
Balances as at 31 December 2014	**5,380**	**5,696**	**(11,076)**
Accumulated depreciation:			
Balances as at 31 December 2012	(1,605)	(3,825)	(5,430)
Impairment losses recognised	(113)	(293)	(406)
Disposals	154	79	233
Transfers (Note 10)	57	-	57
Changes in exchange rates	-	1	1
Balances as at 31 December 2013	**(1,507)**	**(4,038)**	**(5,545)**
Impairment losses recognised	(114)	(319)	(433)
Disposals	-	20	20
Changes in the scope of consolidation (Notes 2-f and 13)	403	630	1,033
Changes in exchange rates	-	1	1
Transfers	(1)	1	-
Balances as at 31 December 2014	**(1,219)**	**(3,705)**	**(4,924)**
Impairment losses:			
Balances as at 31 December 2012	(93)	-	(93)
Amounts used	6	-	6
Transfers	(43)	-	(43)
Balances as at 31 December 2013	**(130)**	**-**	**(130)**
Balances as at 31 December 2014	**(130)**	**-**	**(130)**
Property, plant and equipment, net:			
Balances as at 31 December 2013	**6,149**	**2,848**	**8,997**
Balances as at 31 December 2014	**4,031**	**1,991**	**6,022**

"Buildings, Plant and Equipment" includes mainly the offices used by the Group in Spain, owned by Realia Patrimonio and Hermanos Revilla, with a carrying amount of EUR 3,653 thousand at 31 December 2014 (31 December 2013: EUR 3,523 thousand) and, outside Spain, the offices of SIIC de Paris located in Place Vendôme (Paris), which were derecognised as part of the disposal of the SIIC de París subgroup, with a carrying amount of EUR 2,236 thousand in 2014 (2013: EUR 2,248 thousand) (see Notes 2-f and 13).

At 31 December 2014, the cost of the building lots included under "Buildings, Plant and Equipment" totalled EUR 1,083 thousand (31 December 2013: EUR 2,348 thousand).

The fair value of the Group's assets included under "Buildings, Plant and Equipment" at 31 December 2014, calculated on the basis of appraisals conducted by independent valuers not related to the Group, as described in Note 4-d, amounted to EUR 12,961 thousand (31 December 2013: EUR 16,074 thousand).

In 2014 the Group recognised a depreciation charge for property, plant and equipment of EUR 433 thousand (2013: EUR 406 thousand), of which EUR 389 thousand (2013: EUR 298 thousand) were recognised under "Depreciation and Amortisation Charge" and EUR 44 thousand (2013: EUR 108 thousand) were recognised under "Profit from Discontinued Operations" in the accompanying consolidated statement of profit or loss (see Note 13).

Fully depreciated items of property, plant and equipment amounted to EUR 2,672 thousand at 31 December 2014 (31 December 2013: EUR 2,816 thousand).

The Group takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject. At the end of 2014 the property, plant and equipment were fully insured against these risks.

10. Investment property

The changes in "Investment Property" in the consolidated balance sheet in 2014 and 2013 were as follows:

	Thousands of Euros				
	Investment Property	Other Fixtures	Investment Property under Construction	Advances	Total Investment Property
Cost:					
Balances as at 31 December 2012	2,340,695	185,558	163,713	3,359	2,693,325
Additions	2,405	1,748	40,685	3,186	48,024
Disposals	(1,124)	-	-	-	(1,124)
Changes in the scope of consolidation	(2,597)	-	-	-	(2,597)
Transfers (Notes 9 and 13)	(14,669)	1,718	(6,944)	(3,702)	(23,597)
Balances as at 31 December 2013	**2,324,710**	**189,024**	**197,454**	**2,843**	**2,714,031**
Additions	28,799	624	8,379	1,661	39,463
Disposals	(10)	(1)	-	-	(11)
Changes in the scope of consolidation (Notes 2-f and 13)	(1,480,127)	(114,896)	(18,916)	(4,123)	(1,618,062)
Transfers (Note 9)	(245)	(14)	(22)	-	(281)
Transfers to earmarked for sale	(18,072)	(1,651)	-	-	(19,723)
Transfers in progress	164,182	22,131	(186,287)	(26)	-
Balances as at 31 December 2014	**1,019,237**	**95,217**	**608**	**355**	**1,115,417**
Accumulated depreciation:					
Balances as at 31 December 2012	(232,860)	(83,906)	-	-	(316,766)
Impairment losses recognised	(25,846)	(9,306)	-	-	(35,152)
Disposals	119	-	-	-	119
Transfers (Notes 9 and 13)	5,700	899	-	-	6,599
Balances as at 31 December 2013	**(252,887)**	**(92,313)**	-	-	**(345,200)**
Impairment losses recognised	(17,530)	(6,769)	-	-	(24,299)
Changes in the scope of consolidation (Notes 2-f and 13)	151,064	33,129	-	-	184,193
Transfers to earmarked for sale	5,704	1,077	-	-	6,781
Transfers (Note 9)	201	59			260
Balances as at 31 December 2014	**(113,448)**	**(64,817)**	-	-	**(178,265)**
Impairment losses:					
Balances as at 31 December 2012	(87,476)	(1,816)	(2,103)	-	(91,395)
Impairment losses recognised	(4,644)	(6)	(31,362)	-	(36,012)
Amounts used	19,432	28	236	-	19,696
Transfers	(121)	(7)	163	-	35
Changes in the scope of consolidation	2,597	-	-	-	2,597
Balances as at 31 December 2013	**(70,212)**	**(1,801)**	**(33,066)**	-	**(105,079)**
Impairment losses recognised	(13,331)	-	(49)	-	(13,380)
Amounts used	6,177	13	-	-	6,190
Changes in the scope of consolidation (Notes 2-f and 13)	59,734	-	1,062		60,796
Transfers in progress	(31,927)	-	31,927	-	-
Balances as at 31 December 2014	**(49,559)**	**(1,788)**	**(126)**	-	**(51,473)**
Investment property, net:					
Balances as at 31 December 2013	**2,001,611**	**94,910**	**164,388**	**2,843**	**2,263,752**
Balances as at 31 December 2014	**856,230**	**28,612**	**482**	**355**	**885,679**

In 2014 the Group recognised a depreciation charge for investment property of EUR 24,299 thousand (2013: EUR 35,152 thousand), of which EUR 15,073 thousand (2013: EUR 15,736 thousand) were recognised under "Depreciation and Amortisation Charge" and EUR 9,226 thousand (2013: EUR 19,416 thousand) were recognised under "Profit from Discontinued Operations" in the accompanying consolidated statement of profit or loss (see Note 13).

At 31 December 2014, fully depreciated investment property still in use amounted to EUR 21,204 thousand (31 December 2013: EUR 20,411 thousand) and related to "Other Fixtures".

The value of the Group's investment property at 31 December 2014, calculated on the basis of appraisals conducted by independent valuers not related to the Group, as described in Note 4-d, amounted to EUR 1,357,367 thousand (31 December 2013: EUR 2,909,014 thousand).

The investment property owned by companies in the Group's development segment (solely two assets) was measured from 2012 at fair value based on appraisals conducted by independent valuers in accordance with the principles and methodology provided in Ministry of Economy Order ECO/805/2003, of 27 March, amended by Ministry of Economy and Finance Order EHA/3011/2007, of 4 October, and by Ministry of Economy and Finance Order EHA/564/2008, of 28 February, which establishes the measurement bases for property and certain rights for certain financial purposes (whereby appraisals may be conducted using various methods, according to the urban development and the type of assets involved).

The measurement methods used in 2014 and 2013 to calculate the fair value of the Group's investment property owned by companies in the Group's property management business were based on the RICS principles, which mainly use the discounted cash flow valuation method, which consists of capitalising the net rental income from each property and discounting the future cash flows, using market discount rates over a ten-year time horizon and a terminal value calculated by capitalising the estimated rental income at the end of the projected period at an estimated yield. The buildings were valued on a case-by-case basis, considering each of the leases in force at year-end and the term thereof. The buildings with areas that are not leased were valued on the basis of the estimated future rental income, less a period for the marketing thereof. The measurement bases applied were identical to those used in previous years.

The key variables of the aforementioned method are the determination of net income, the term of the leases, the period of time over which discounting is applied, the value estimate used at the end of each period and the objective internal rate of return used to discount the cash flows.

In any case, the current situation of the property market could give rise to differences between the fair value of the Group's investment property and the effective net realisable value thereof.

In light of the above, and as defined Note 4-d, in 2014 the Group recognised net reversals associated with EUR 5,049 thousand under "Net Impairment of Non-Current Assets". In 2014 net impairment losses amounting to EUR 12,239 thousand were recognised for the investments in France, which are recognised under "Profit from Discontinued Operations" (see Note 13)

Investment property and other fixtures

At 31 December 2014, the gross cost of the building lots included under "Investment Property" totalled EUR 470,953 thousand (31 December 2013: EUR 1,180,660 thousand).

The most significant additions in 2014 were as follows:

- In 2014 the subsidiary Hermanos Revilla acquired a property located at calle Goya 29 (Madrid) and capitalised EUR 27,915 thousand in connection with the amount paid for the property, plus the associated transaction costs. In addition, EUR 741 thousand were capitalised in connection with the refurbishment of various owned properties.

The most significant additions in 2013 were as follows:

- At the subsidiary Hermanos Revilla, which capitalised EUR 1,145 thousand in connection with the refurbishment of owned properties.

- In France where EUR 1,915 thousand were capitalised during the year in connection with the refurbishment of various owned properties.

The most significant disposals in 2013 were as follows:

- In France, the sale of the remaining Montrouge land owned by the SIIC de Paris subgroup, with a carrying amount of EUR 373 thousand, was executed for EUR 340 thousand, giving rise to a loss of EUR 54 thousand (including the costs to sell), which is recognised under "Profit from Discontinued Operations" in the accompanying consolidated statement of profit or loss.

- Realia Patrimonio derecognised items of investment property which had become idle.

The most significant net transfers in 2014 were as follows:

- The transfer due to the completion of the building work on the our Les Miroirs - Quai D'Alsace building owned by the SICC de Paris subgroup, amounting to EUR 143,425 thousand, following completion of the improvement work to the property and fixtures in January 2014.

- In France, the sale of the Grande Armée 43-47 (Paris) and Rouquier (Paris) buildings -with carrying amounts of EUR 7,519 thousand and EUR 5,423 thousand, respectively- owned by the SIIC de Paris subgroup, was executed for EUR 8,565 thousand and EUR 6,000 thousand, respectively, giving rise to net gains of EUR 642 thousand and EUR 517 thousand (including the costs to sell), which are recognised under "Profit from Discontinued Operations" in the accompanying consolidated statement of profit or loss (see Note 13).

- The other transfers relate mainly to work completed at the buildings owned by the SIIC Group and Hermanos Revilla at which refurbishment work was being carried out.

The most significant net transfers in 2013 were as follows:

- The transfer due to the completion of the building work on the Príncipe de Vergara and Albasanz 16 buildings owned by Hermanos Revilla, amounting to EUR 6,837 thousand, following completion of the improvement work to the properties and fixtures in December 2013.

- The remaining transfers related mainly to work completed at the buildings owned by the SIIC Group where refurbishment work was being carried out.

- In France, the sale of the Grande Armée 4-10 (Paris) building -with a carrying amount of EUR 16,984 thousand- owned by the SIIC de Paris subgroup was executed for EUR 17,800 thousand, giving rise to a net gain of EUR 638 thousand (including the costs to sell), which is recognised under "Profit from Discontinued Operations" in the accompanying consolidated statement of profit or loss. Prior to the sale the net value of this building was transferred to "Non-Current Assets Classified as Held for Sale".

The most significant changes made in the scope of consolidation in 2014 were as follows:

- The sale of the SIIC de París subgroup led to the exclusion from the scope of consolidation of net assets amounting to EUR 1,351,096 thousand.

The most significant changes in the scope of consolidation in 2013 were as follows:

- The merger of Nasozena (absorbed company) into the subsidiary Portfolio Grandes Áreas Comerciales S.A.U. (absorbing company) (see Note 2-f) and the recognition of the investment property at the absorbing company at value net of provisions offset the impairment losses on the land of the subsidiary Nasozena, amounting to EUR 2,597 thousand.

Investment property under construction and advances

The main additions to and transfers to/from "Investment Property under Construction" in 2014 related mainly to the following items:

- The costs incurred by the subgroup SIIC de Paris amounting to EUR 2,822 thousand for the improvement work to the property and fixtures of the Tour Les Miroirs - Quai D'Alsace building and subsequent transfer to investment property in use totalling EUR 143,425 thousand.

- Various buildings were refurbished in France. EUR 3,946 thousand were capitalised during the year.

- Various buildings are being renovated and improved in Spain. EUR 3,272 thousand were capitalised during the year.

The main additions to and transfers to/from "Investment Property under Construction" in 2013 related mainly to the following items:

- The costs incurred by the subsidiary Hermanos Revilla amounting to EUR 6,846 thousand for the improvement work to the properties and fixtures of the Príncipe de Vergara and Albasanz 16 buildings and subsequent transfer to investment property in use totalling EUR 6,837 thousand.

- Various buildings were refurbished in France. EUR 36,058 thousand were capitalised during the year.

Of the total cost of "Investment Property under Construction" at 31 December 2013, EUR 70,521 thousand relates to the land value. No cost was recognised in this connection at 31 December 2014.

In accordance with the revised IAS 23, the Group capitalises the borrowing costs associated with investment property under construction which takes a period of over twelve months to get ready for its intended use or sale. The amount capitalised to "Profit from Discontinued Operations" in the accompanying consolidated statement of profit or loss in 2014 was EUR 101 thousand (2013: EUR 204 thousand).

Location, occupancy rates and use

The Group's investment property located outside Spain is basically as follows:

Company	Use	Country	Thousands of Euros	
			2014	2013
SIIC de Paris Group	Office space	France	-	1,400,398
			-	**1,400,398**

The detail, by geographical area, of the location and occupancy rates of rental property is as follows:

	Square Metres for Rental A/G		Occupancy Rate	
	2014	2013	2014	2013
Madrid	267,592	262,531	90.93	91.15
Paris	-	149,982	-	85.04
Barcelona	32,321	32,321	91.98	90.70
Logroño	36,332	36,332	100.00	100.00
Seville	8,735	8,735	82.13	80.73
Guadalajara	31,997	31,997	85.65	85.32
Other autonomous communities	16,707	16,961	63.05	69.91
	393,684	**538,859**	**90.04**	**88.84**

The surface area of the properties, by use, is as follows:

	Square Metres for Rental A/G		Use (%)	
	2014	2013	2014	2013
Office space	244,853	389,773	62.20	72.33
Commercial	103,503	103,503	26.29	19.21
Other	45,328	45,583	11.51	8.46
	393,684	**538,859**	**100.00**	**100.00**

Rental income, including income arising from passed-on expenses, from investment property owned by the consolidated companies amounted to approximately EUR 78,574 thousand (see Notes 24-a and 24-b) and the related operating expenses, excluding impairment, totalled approximately EUR 40,083 thousand in 2014 (2013: approximately EUR 79,926 thousand and EUR 40,990 thousand, respectively).

The only items of investment property with mortgage charges are:

	Thousands of Euros			
	Carrying Amount		Mortgage Loan Drawn Down	
	2014	2013	2014	2013
Building at c/ Salvador de Madariaga	54,035	54,114	17,792	21,350
Edificio Albasanz, 16	30,007	29,091	24,493	25,000
Total investments with mortgage charge	**84,042**	**83,205**	**42,285**	**46,350**

Insurance has been taken out for all the properties, including insurance against loss of rent due to damage.

At 31 December 2014, there was no investment property to which title was restricted. The net amount at 31 December 2013 of the investment property title to which was restricted totalled EUR 33,388 thousand. This amount related to the surface rights over land on which a SIIC de Paris Group building stands.

Impairment of investment property

The detail, by company, of the impairment losses on investment property at 31 December 2014 and 2013 is as follows:

	Thousands of Euros	
	2014	2013
Realia Business, S.A.	9,059	9,073
Realia Patrimonio, S.L.	30,036	34,297
Hermanos Revilla, S.A.	11,358	12,253
Portfolio Grandes Áreas Comerciales, S.L.	1,020	899
SIIC de Paris	-	48,557
Ending balance	**51,473**	**105,079**

The changes in the impairment losses on the investment property in 2014 and 2013 were as follows:

	Thousands of Euros	
	2014	2013
Beginning balance	105,079	91,395
Impairment losses recognised	13,380	36,012
Impairment losses reversed	(6,190)	(19,696)
Transfers	-	(35)
Changes in the scope of consolidation (Note 13)	(60,796)	(2,597)
Ending balance	**51,473**	**105,079**

In 2014 and 2013 the impairment adjustments were made on the basis of appraisals conducted by independent valuers not related to the Group, as explained in Note 4-d.

11. Investments in associates

The detail, by company, of "Investments in Associates" at 31 December 2014 and 2013 is as follows:

	Thousands of Euros	
	2014	2013
As Cancelas Siglo XXI, S.L.	23,372	22,853
Inversiones Inmobiliarias, Rústicas y Urbanas 2000, S.L.	16,666	17,149
Studio Residence Iberia Investiment Inmobilir., S.A.	81	96
Desarrollo Urbanístico Sevilla Este, S.L.	-	-
Ronda Norte Denia, S.L.	143	143
	40,262	**40,241**

The market value of the Group's investment in the associate Desarrollo Urbanístico Sevilla Este, S.L is considered to be zero on the basis of the directors' estimates based on the company's viability in view of the current situation of the property and credit markets.

The value of the investment property of the companies accounted for using the equity method in proportion to the ownership interests therein at 31 December 2014, calculated on the basis of appraisals conducted by independent valuers not related to the Group, as described in Note 4-d, amounted to EUR 48,443 thousand (31 December 2013: EUR 45,387 thousand).

The value of the inventories of the companies accounted for using the equity method in proportion to the ownership interests therein at 31 December 2014, calculated on the basis of appraisals conducted by independent valuers not related to the Group, as described in Note 4-d, amounted to EUR 22,734 thousand (31 December 2013: EUR 23,508 thousand) excluding the inventories of Desarrollo Urbanístico Sevilla Este, S.L. as value of the ownership interest was considered to be zero.

The detail of the assets, liabilities and the main figures in the statements of profit or loss of associates at 31 December 2014 and 2013 is as follows:

31 December 2014

	Thousands of Euros					
	As Cancelas Siglo XXI, S.L. (50.00%)	Inversiones Inmobiliarias, Rústicas y Urbanas 2000, S.L. (33.36%)	Studio Residence Iberia Investiment. Inmobilir., S.A. (50.00%)	Desarrollo Urbanístico Sevilla Este, S.L. (30.52%)	Ronda Norte Denia, S.L. (32.63%)	Total
Balance sheet:						
Non-current assets	42,073	264	-	6,502	-	48,839
Current assets	1,801	18,082	121	72,981	510	93,495
Total assets	**43,874**	**18,346**	**121**	**79,483**	**510**	**142,334**
Equity	23,372	11,611	81	(8,079)	143	27,128
Non-current liabilities	958	2,084	-	-	-	3,042
Current liabilities	19,544	4,651	40	87,562	367	112,164
Total equity and liabilities	**43,874**	**18,346**	**121**	**79,483**	**510**	**142,334**
Statement of profit or loss:						
Income	5,557	-	-	-	18	5,575
Profit (Loss) from operations	1,668	(13)	(15)	(98)	8	1,550
Profit (Loss) before tax	761	(42)	(15)	(3,845)	-	(3,141)
Profit (Loss) for the year	519	(82)	(15)	(3,156)	-	(2,734)

31 December 2013

	Thousands of Euros					
	As Cancelas Siglo XXI, S.L. (50.00%)	Inversiones Inmobiliarias, Rústicas y Urbanas 200, S.L. (33,36%)	Studio Residence Iberia Investiment. Inmobilir., S.A. (50.00%)	Desarrollo Urbanístico Sevilla Este, S.L. (30.52%)	Ronda Norte Denia, S.L. (32.63%)	Total
Balance sheet:						
Non-current assets	43,195	248	-	5,815	-	67,160
Current assets	1,644	18,150	122	73,846	494	76,354
Total assets	**44,839**	**18,398**	**122**	**79,661**	**494**	**143,514**
Equity	22,853	11,276	96	(4,923)	143	29,445
Non-current liabilities	925	2,501	-	751	-	4,176
Current liabilities	21,061	4,621	26	83,833	351	109,893
Total equity and liabilities	**44,839**	**18,398**	**122**	**79,661**	**494**	**143,514**
Statement of profit or loss:						
Income	4,221	-	-	-	32	4,253
Profit (Loss) from operations	3,054	(13)	(13)	(107)	8	2,929
Profit (Loss) before tax	1,066	(47)	(13)	(3,637)	-	(2,631)
Profit (Loss) for the year	746	(33)	(13)	(2,546)	-	(1,846)

12. Joint ventures

Part of the Group's business operations are performed through joint ventures over which the Realia Group exercises joint control together with other non-Group venturers. These joint ventures were proportionately consolidated as indicated in Note 2-d. Joint control over these ventures is established through interests in entities with various legal forms: unincorporated temporary joint venture ("UTEs") and joint-property entities ("CBs").

The required uniformity adjustments, reconciliations and reclassifications were made and the reciprocal asset and liability balances and income and expenses were eliminated appropriately.

The main aggregates at 31 December 2014 and 2013 of the UTEs and the joint property entities (included in Appendix III) included in the consolidated financial statements of Realia Business are as follows:

	Thousands of Euros	
	UTEs and Joint Property Entities	
	2014	2013
Revenue	1,492	407
Profit (Loss) from operations	389	(5,483)
Non-current assets	1	1
Current assets	7,354	12,901
Current liabilities	**307**	**2,340**

At 31 December 2014 and 2013, the Group companies did not have any commitments to purchase property, plant and equipment to be contributed to the joint ventures. Similarly, no commitments to purchase property, plant and equipment had been assumed directly by the joint ventures in those years.

In addition, in the businesses managed through unincorporated temporary joint ventures and joint property entities the venturers are jointly and severally liable for the business activity carried on. However, for interests in companies formed under the Spanish commercial code such as public and private limited liability companies, the shareholders' liability is limited to their share of the capital of such jointly controlled entities.

13. Non-current assets and liabilities classified as held for sale and discontinued operations

The changes in "Non-Current Assets Classified as Held for Sale" in the consolidated balance sheet in 2014 and 2013 were as follows:

2014:

Non-current assets classified as held for sale:

	Thousands of Euros				
	31/12/13	Additions	Transfers	Disposals	31/12/14
Ownership interest - Setecampos Sociedade Inmobiliaria, S.A.	2,500	-	-	(2,500)	-
Property - Grande Armée 43-47 (Paris)	-	25	7,519	(7,544)	-
Property - Rouquier (Paris)	-	-	5,423	(5,423)	-
Ownership interest - S.I.I.C de Paris	-	-	1,444,070	(1,444,070)	-
Total	**2,500**	**25**	**1,457,012**	**(1,459,537)**	**-**

Non-current liabilities classified as held for sale:

	Thousands of Euros			
	31/12/13	Transfers	Disposals	31/12/14
Ownership interest - S.I.I.C de París	-	541,817	(541,817)	-
Total	-	541,817	(541,817)	-

2013:

		Thousands of Euros				
	31/12/12	Additions	Transfers	Disposals	Impairment Losses	31/12/13
Ownership interest - Setecampos Sociedade Inmobiliaria, S.A.	-	-	3,481	-	(981)	2,500
Property - Grande Armée 4-10 (Paris)	-	41	16,943	(16,984)	-	-
Property - General Leclerc - Viroflay (Paris)	3,274	-	-	(3,274)	-	-
Total	**3,274**	**41**	**20,424**	**(20,258)**	**(981)**	**2,500**

The main changes in 2014 related to the following:

- In November 2014 the entire ownership interest in Setecampos, representing 50%, was sold. At 2013 year-end this ownership interest was recognised under "Non-Current Assets Classified as Held for Sale" adjusted to its net selling price as there was a firm sales commitment. In 2014 an additional loss of EUR 95 thousand were recognised.

- In France, the Grande Armée 43-47 (Paris) and Rouquier (Paris) buildings owned by the SIIC de Paris subgroup were transferred from "Investment Property" to "Non-Current Assets Classified as Held for Sale" for a selling price of EUR 8,565 thousand and EUR 6,000 thousand, respectively, giving rise to net gains on the transactions of EUR 642 thousand and EUR 517 thousand (including costs to sell), which are recognised under "Profit from Discontinued Operations" in the accompanying consolidated statement of profit or loss.

- At 2014 year-end, EUR 1,373,073 thousand relating to all the investment property owned by the SIIC de Paris subgroup and the remaining assets of this subgroup, amounting to EUR 70,997 thousand, were transferred from "Investment Property" to "Non-Current Assets Classified as Held for Sale". This transfer arose as a result of the execution in May 2014 of an irrevocable purchase and sale agreement for the entire ownership interest in the aforementioned subgroup, which represented 58.98% at the time of signature. The agreement, which was ratified on 5 June 2014, provided for a price of EUR 22 per share (a total of EUR 558.9 million), less the dividends paid by SIIC de París Group at the transaction closing date (EUR 14.5 million). The costs associated with the aforementioned sale amounted to EUR 4.4 million.

  On 18 July 2014, the Group received final approval from the French National Competition Commission to permit the completion of the sale transaction, which became effective on 23 July 2014 and gave rise to a gain attributable to the Parent on the transaction of EUR 4,243 thousand, recognised under "Profit from Discontinued Operations", as they constituted all the business activities of the Realia Business Group in the French market.

  Also, pursuant to the aforementioned legislation, in the consolidated statement of profit or loss and consolidated statement of cash flows for 2013 the balances corresponding to operations classified as discontinued in 2014 were unified pursuant to IFRS 5.

  The summary of the effects of this classification in the consolidated statement of profit or loss of the line of business in 2014 and 2013, which are disclosed as discontinued operations in the accompanying consolidated statement of profit or loss, is as follows:

	Thousands of Euros	
	2014	2013
Revenue	31,174	69,603
Other operating income	4,569	16,422
Staff costs	(1,276)	(2,215)
Other operating expenses	(11,234)	(25,317)
Changes in provisions and allowances	970	(286)
Depreciation and amortisation charge	(9,364)	(19,787)
Gains or losses on disposals of non-current assets and other	1,159	1,298
Other losses	(121)	(9)
Profit from operations	**15,877**	**39,709**
Net financial loss	**(9,350)**	**(18,901)**
Impairment losses	(12,239)	(13,869)
Profit (Loss) before tax	**(5,712)**	**6,939**
Income tax	-	(154)
Consolidated profit (loss)	**(5,712)**	**6,785**
Gains on disposals	7,612	-
Profit from discontinued operations - Société d´Investissements Inmob. Cotée de Paris, S.A.	**1,900**	**6,785**
Profit attributable to the Parent	**4,243**	**4,003**
Profit (Loss) attributable to non-controlling interests	**(2,343)**	**2,782**

The main changes in 2013 were due to the following:

- Sale of the General Leclerc - Viroflay building (France), recognised under "Non-Current Assets Classified as Held for Sale" at the end of 2012, the carrying amount of which was EUR 3,274 thousand. The selling price of the building was EUR 4,060 thousand, giving rise to a net gain on the transaction of EUR 714 thousand, which was recognised under "Profit from Discontinued Operations" in the accompanying consolidated statement of profit or loss.

- At 2013 year-end EUR 3,481 thousand relating to the ownership interest in Setecampos Sociedade Imobiliaria, Lda., the main asset of which was the "Twin Towers" (Portugal) building with a net value of EUR 3,119 thousand, was transferred from "Investments in Associates" to "Non-Current Assets Classified as Held for Sale". This transfer (see Note 10) arose as a result of a commitment to sell the building entered into with the purchaser in July 2013. In this connection the Group recognised an impairment loss of EUR 981 thousand to adjust the carrying amount to the selling price.

- In 2013 the Grande Armée 4-10 (Paris) building owned by the SIIC de Paris subgroup, with a carrying amount of EUR 16,984 thousand, was transferred from "Investment Property" at a selling price of EUR 17,800 thousand, giving rise to a net gain of EUR 638 thousand (including costs to sell), which is recognised under "Profit from Discontinued Operations" in the accompanying consolidated statement of profit and loss.

14. Inventories

The detail of "Inventories" at 31 December 2014 and 2013, which relate mainly to property for residential use, is as follows:

	Thousands of Euros					
	2014			2013		
	Cost	Write-Downs	Net	Cost	Write-Downs	Net
Land and building lots	672,265	(392,988)	279,277	685,992	(392,350)	293,642
Sundry materials	6	-	6	68	(60)	8
Long-cycle construction work in progress	49,047	(15,080)	33,967	50,565	(14,345)	36,220
Completed buildings	110,968	(24,380)	86,588	146,172	(29,013)	117,159
Advances to suppliers	3,038	-	3,038	3,058	-	3,058
	835,324	**(432,448)**	**402,876**	**885,855**	**(435,768)**	**450,087**

The market value of the Group's inventories at 31 December 2014 and 2013, calculated based on the appraisals conducted in 2014 and 2013 by independent valuers not related to the Group, amounted to EUR 447,979 thousand and EUR 501,267 thousand, respectively. As a result, due to the eliminations due to sales and to write-downs and reversals recognised for these inventories in line with their market value, the Group recognised a net reversal of write-downs amounting to EUR 3,251 thousand in 2014 (2013: impairment loss of EUR 52,677 thousand) (see Note 24-i).

The inventories owned by companies in the property development line of business were appraised by independent valuers in accordance with the principles and methodology provided in Ministry of Economy Order ECO/805/2003, of 27 March, amended by Ministry of Economy and Finance Order EHA/3011/2007, of 4 October, and by Ministry of Economy and Finance Order EHA/564/2008, of 28 February, which establishes the measurement bases for property and certain rights for certain financial purposes (whereby appraisals may be conducted using various methods, according to the urban development and the type of assets involved). Market value was calculated using the comparative and dynamic residual methods. Using the comparative method, the value of the land being appraised is obtained by analysing comparables in the property market based on specific information on recent actual transactions and firm offers involving land that is comparable and uniform with the land that is the subject of analysis and measurement. In the indicated selection, any prices deemed unusual were compared in advance in order to identify and eliminate prices arising from transactions and offers that fail to meet the terms and conditions required in the definition of the market value of the related assets, and those that could include speculative items. Using the dynamic residual method, the current value of land is calculated by taking into account the future cash flows associated with it, including both collections and payments, based on assumptions relating to prices and development, construction and marketing periods.

In the case of the inventories owned by companies in the Group's property management line of business, in 2014 and 2013 the methodology used in the valuations to determine the fair value of the Group's inventories is determined in accordance with the Appraisal and Valuation Standards issued by the Royal Institute of Chartered Surveyors (RICS) and the International Valuation Standards (IVS)., issued by the International Valuation Standards Committee (IVSC), organisations which group together, respectively, the international and European valuation institutions.

To calculate the fair value the comparison valuation method (for completed developments) and static and dynamic residual methods (basically for land and building lots and property developments in progress) were used. By means of the dynamic residual method, the residual value of the property under valuation is obtained by discounting the established cash flows based on an estimate of future expenses and income, taking into consideration the period that must elapse until the aforementioned cash flows are realised, at the established discount rate. The total cash income already considered to have been realised prior to the date of valuation is added to the result of the calculation to give the total value. The discount rate used is that which represents the projects annual average yield, without taking into account external financing, which an average promotor would obtained from a development with the same characteristics as that analysed.

In any case, the current situation of the residential market may give rise to differences between the fair value of the Group's inventories and the effective realisable value thereof.

The changes in "Inventories" in the years ended 31 December 2014 and 2013, disregarding the impairment losses, were as follows:

	Thousands of Euros					
	Land and Building Lots	Short-Cycle Developments in Progress	Long-Cycle Developments in Progress	Completed Buildings	Embodiment Items	Total
Balance as at 31 December 2012	**739,240**	**17,335**	**50,677**	**144,436**	**75**	**951,763**
Exchange rate changes	(244)	-	(9)	(74)	-	(327)
Additions	1,581	10,042	(103)	17	3	11,540
Changes in the scope of consolidation	(52,148)	-	-	-	-	(52,148)
Disposals	(2,437)	-	-	(25,584)	(10)	(28,031)
Transfers	-	(27,377)	-	27,377	-	-
Balance as at 31 December 2013	**685,992**	**-**	**50,565**	**146,172**	**68**	**882,797**
Exchange rate changes	(358)	-	(10)	(32)	-	(400)
Additions	2,369	-	30	(2,619)	2	(218)
Disposals	(16,983)	-	(293)	(32,553)	(64)	(49,893)
Transfers	1,245	-	(1,245)	-	-	-
Balance as at 31 December 2014	**672,265**	**-**	**49,047**	**110,968**	**6**	**832,286**

Land and building lots

In prior years the Company acquired land in Valdemoro (R7) for which it paid EUR 3,790 thousand, payment of the remaining balance being subject to the fulfilment of a condition precedent by the seller. Due to the breach of contractual obligations by the seller, the Company filed a claim for the legal termination of the agreement, to which the Supreme Court handed down a final judgment establishing the ineffectiveness of the purchase agreement and obliging the seller to pay the claimant the price paid under the aforementioned agreement as well as the costs and interest.

On 11 February 2014, the Madrid Court of First Instance issued an order awarding the R8 land in Valdemoro, amounting to EUR 1,500 thousand, to the Parent, which was appealed against by the other party and dismissed by the court, until 13 November 2014 when the award certificate enabling its registration in the Property Registry was issued. This award, amounting to EUR 1,500 thousand, together with the other attachments imposed amounting to EUR 130 thousand, led to the recognition of a balance receivable at year end of EUR 2,160 thousand. Furthermore, the judgment of the Spanish Supreme Court recognised an amount of EUR 1,137 thousand for the interest and costs of the proceedings (see Note 24-h), for which impairment losses covering the full amount had been recognised at year-end due to doubts as to their recovery.

The Company also charged EUR 1.8 million of the capitalised cost associated with the tax on increases in urban land value of various developments which accrues on the date the real-estate products are sold to profit or loss, and adjusted to fair value the contractually established consideration for the future delivery obligation relating to the "Teatinos" asset by EUR 1.9 million.

In 2014, the subsidiary Wilanow Realia SP. Z.O.O. sold its land in Warsaw (Poland) for a total of EUR 7,648 thousand, the carrying amount of which was EUR 7,423 thousand (cost of EUR 12,041 thousand and impairment of EUR 4,618 thousand), giving rise to a gain of EUR 225 thousand.

In 2013 the most significant additions to "Land and Building Lots" related basically to the award by the Parent of land in Huelva, amounting to EUR 328 thousand, to guarantee the settlement agreement arising from the litigation between Realia and the seller for land development payments in San Mateo de Gállego, and the capitalisation of the costs of the various land reparcelling and urban development projects.

In 2013 the Parent sold two plots of land in Son Dameto (Palma de Mallorca) and Sanchinarro (Madrid) for an aggregate amount of EUR 3,484 thousand, giving rise to a gain of EUR 1,055 thousand.

Property development and land sale commitments entered into with customers at 31 December 2014 (arranged as earnest money and other agreements) amounted to EUR 7,614 thousand (31 December 2013: EUR 14,594 thousand), of which EUR 4,001 thousand (31 December 2013: EUR 6,593 thousand) are recognised under "Trade Payables - Customer Advances" in the accompanying consolidated balance sheet (see Note 21-b). EUR 321 thousand and EUR 1,126 thousand, respectively, were collected. The remainder relates to commitments arising from asset exchange transactions.

The Parent's policy regarding guarantees backing advances received from customers is that all advances received from customers must be secured pursuant to Law 57/1968.

Advances to suppliers

The detail of "Advances to Suppliers" at 31 December 2014 and 2013 is as follows:

	Thousands of Euros	
	2014	2013
Realia Business, S.A.:		
Valdebebas	3,020	3,020
El Molar	18	18
Other	-	20
Total land purchases	**3,038**	**3,058**

These advances relate mainly to amounts paid on account in respect of land to be acquired, title to which had not been transferred to the Realia Business Group at 31 December 2014 and 2013.

No losses are expected to arise in relation to the value of the land purchase commitments associated with these advances.

In accordance with the revised IAS 23, the Group capitalises the borrowing costs associated with investment property under construction which takes a period of over twelve months to get ready for its intended use or sale. In 2014 no borrowing costs were capitalised in this connection (2013: EUR 338 thousand).

Builder's all risk insurance has been taken out for all the property developments in progress and the appropriate community association insurance has been taken out for completed developments.

At 31 December 2014, certain assets were recognised under inventories, with an aggregate carrying amount of EUR 274,835 thousand, which serve as mortgage security for the syndicated loan arranged in 2009, as well as the bilateral loans with Kutxa Bank, the Santander Group and Sareb, arranged by the Parent Realia Business, S.A. and the subsidiaries Realia Business Portugal Lda and Retingle S.L. (see Note 20).

At 31 December 2013, certain assets were recognised under inventories, with an aggregate carrying amount of EUR 300,379 thousand, which serve as mortgage security for the syndicated loan arranged in 2009, as well as the bilateral loans with Kutxa Bank, the Santander Group and Sareb, arranged by the Parent Realia Business, S.A. and the subsidiaries Realia Business Portugal Lda and Retingle S.L. (see Note 20).

Inventory write-downs

The changes with an impact on inventory write-downs in 2014 and 2013 were as follows:

	Thousands of Euros	
	2014	2013
Beginning balance	(435,768)	(381,129)
Amounts used - land sales (Note 24-i)	4,618	-
Net impairment losses - land (Note 24-i)	(5,323)	(34,103)
Net amounts used/reversed - property developments in progress and completed developments (Note 24-i)	3,956	(20,574)
Effect of exchange rate changes	69	38
Ending balance	**(432,448)**	**(435,768)**

In accordance with the applicable accounting rules, the Group recognises write-downs for all the losses on its inventories and does not recognise increases in value until they have been effectively realised, through sale (see Notes 4-f and 4-p).

15. Other assets

15.1 Trade and other receivables

The breakdown of "Trade and Other Receivables" is as follows:

	Thousands of Euros	
	2014	2013
Trade and other receivables	7,667	39,287
Unpaid trade receivables and notes	13,719	13,735
Doubtful trade receivables	1,081	5,450
Sundry accounts receivable	3,576	1,931
Allowance for doubtful debts	(10,083)	(13,891)
Other accounts receivable from public authorities (Note 22)	97	1,358
Current tax assets (Note 22)	2,326	898
Total trade and other receivables	**18,383**	**48,768**

"Trade and Other Receivables" at 2014 year-end relates mainly to invoices yet to be issued by the property management companies due to the straight-line recognition of amounts in rent-free periods and rent rebates, of EUR 6,092 thousand (2013: EUR 22,169 thousand) in accordance with the accounting treatment provided for under International Accounting Standards (IAS 17). At 2013 year-end "Trade and Other Receivables" included mainly the advance billings issued by the subsidiary SIIC de Paris of EUR 16,214 thousand.

The directors consider that the carrying amount of the accounts receivable approximates their fair value.

15.2 Current and non-current financial assets

The detail of "Non-Current Financial Assets" and "Other Current Financial Assets" at 31 December 2014 and 2013 is as follows:

	Thousands of Euros			
	2014		2013	
	Non-Current	Current	Non-Current	Current
Credit facilities	11,734	23,033	12,374	23,348
Other	1,250	2,216	-	1,602
Total other financial assets	**12,984**	**25,249**	**12,374**	**24,950**

At 2014 year-end the balance of the credit facilities under "Non-Current Financial Assets" related to the credit facility granted by Retingle, S.L. to Inmosineris, S.L (its other shareholder), maturing in January 2016.

At 2013 year-end the balance of the credit facilities under "Non-Current Financial Assets" amounted to EUR 12,374 thousand, of which EUR 12,135 thousand correspond to the credit facility granted by Retingle, S.L. to Inmosineris, S.L (its other shareholder) and EUR 239 thousand to the credit facility granted by Fomento Inmobiliario Levantino, S.L. to Estudios de Investigación, Servicio, S.L., which was reclassified to short term as it matures in 2015.

At 2014 year-end the balance of the credit facilities under "Other Current Financial Assets" consisted of the credit facilities maturing in 2015, corresponding to the credit facility and the interest payable, amounting to EUR 18,002 thousand, which Portfolio Grandes Áreas Comerciales, S.L. granted to As Cancelas, S.L; the credit facility and the interest payable granted by the Parent to Inversiones Inmob. Rústicas y Urbanas 2000, S.L. and Ronda Norte Denia, S.L., amounting to EUR 4,417 thousand and EUR 370 thousand, respectively; and the credit facility and the interest payable, amounting to EUR 245 thousand, granted by Fomento Inmobiliario Levantino, S.L. to Estudios de Investigación, Servicio, S.L. (its other shareholder).

At 2013 year-end the balance of the credit facilities under "Other Current Financial Assets" consisted of the credit facility and the interest payable, amounting to EUR 18,603 thousand, granted by Portfolio Grandes Áreas Comerciales, S.L. to As Cancelas, S.L; and credit facility and the interest payable granted by the Parent to Inversiones Inmob. Rústicas y Urbanas 2000, S.L. and Ronda Norte Denia, S.L, amounting to EUR 4,388 thousand and EUR 357 thousand, respectively.

All the credit facility granted earn interest at a market rate.

15.3 Other non-current assets

"Other Non-Current Assets" relates basically to the long-term guarantees and deposits provided to the Public Authority bodies, which amounted to EUR 9,038 thousand at 31 December 2014 (31 December 2013: EUR 8,723 thousand).

16. Cash and cash equivalents

"Cash and Cash Equivalents" includes the Group's cash and unrestricted short-term bank deposits. The detail of the carrying amount of these assets, which approximates their fair value, is as follows:

	Thousands of Euros	
	2014	2013
Short-term deposits held at associated banks (Note 25)	306,709	6,220
Short-term deposits held at non-Group banks	173,895	34,045
Cash – non-Group banks	5,060	42,681
Cash – associated banks (Note 25)	131,881	37,000
Total cash and cash equivalents	**617,545**	**120,946**

At 2014 year-end, certain Group companies held short-term highly-liquid deposits at associated and non-Group banks for an aggregate amount of EUR 480,604 thousand.

17. Equity

The consolidated statements of changes in equity for the years ended 31 December 2014 and 2013 show the changes in those years in the equity attributable to the shareholders of the Parent and to non-controlling interests.

Share capital

At 31 December 2014 and 2013, the share capital was represented by 307,370,932 fully subscribed and paid bearer shares of EUR 0.24 par value each, the detail being as follows:

	2014		2013	
		Thousands of Euros		Thousands of Euros
	Percentage of Ownership	Amount of Share Capital	Percentage of Ownership	Amount of Share Capital
Corporación Industrial Bankia, S.A.U.	24.952%	18,407	24.952%	18,407
Fomento de Construcciones y Contratas, S.A.	34.308%	25,308	34.308%	25,308
Asesoría Financiera y de Gestión (FCC Group)	2.217%	1,636	2.217%	1,636
Per Gestora Inmobiliaria, S.L. (FFC Group)	0.362%	267	0.362%	267
Inmobiliaria Lualca, S.L.	-	-	4.530%	3,342
Interprovincial, S.L.	-	-	2.688%	1,983
Grupo Prasa, S.A.	-	-	4.515%	3,331
Other (free float)	38.161%	28,151	26.427%	19,495
	100%	**73,769**	**100%**	**73,769**

Data obtained from the Spanish National Securities Market Commission (CNMV) at 31 December 2014, for ownership interest of more than 3%

On 17 December 2014, a prospectus of a takeover bid by Hispania Real, SOCIMI, S.A.U. was submitted for approval by the CNMV which at the date of preparation of these consolidated financial statement had not been approved by the regulator. In addition, on 5 February and 6 February 2015 the FCC Group notified the CNMV by means of a relevant event communication of its decision not to go ahead with the sale of its ownership interest as part of the asset divestment process, which is in line with fact that the capital increase performed in December 2014 allowed the Group to strengthen its equity and financial position and it is currently reviewing the investment and divestment plan.

Reserves of the Parent

Legal reserve

Under the Spanish Limited Liability Companies Law, the Parent must transfer 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

At the end of 2014 and 2013 the balance of this reserve, which amounted to EUR 15,291 thousand, had reached the legally required minimum.

Other reserves

At 31 December 2014, "Other Reserves" included special and voluntary reserves amounting to EUR 43,877 thousand and EUR 263,054 thousand, respectively.

Restricted reserves amount to EUR 43,877 thousand. Of this amount, EUR 43,764 thousand were appropriated on 15 June 2000 due to a transfer of capital to reserves as a result of a capital reduction at Produsa Este, S.A., currently Realia Business, S.A., and EUR 113 thousand were appropriated to these reserves as a result of Spain joining the euro in 2002.

"Retained Losses" amounted to EUR 458,582 thousand.

Treasury shares

In 2010 the Company entered into an agreement to manage its treasury shares with a specialised company. The placement of these shares on the market in 2014 gave rise to a gain of EUR 113 thousand (EUR 303 thousand in 2013), which was recognised under "Reserves" in the accompanying consolidated balance sheet.

The changes in "Treasury Shares" in 2014were as follows:

	Number of Shares	Thousands of Euros
Balances at 31 December 2013	1,160,000	1,208
Acquisitions	978,098	1,060
Disposals	(1,528,098)	(1,593)
Balances as at 31 December 2014	**610,000**	**675**

The average price of the treasury shares at 31 December 2014 was EUR 1.11 per share (31 December 2013: EUR 1.04 per share).

Reserves of consolidated companies

The detail of the reserves of consolidated companies is as follows:

	Thousands of Euros	
	2014	2013
Realia Business, S.A. and consolidation adjustments	(3,907)	(15,228)
Asuntos Generales Inmobiliarios, S.A.	-	-
Planigesa subgroup	54,953	53,008
Wilanow Realia	(947)	1,476
Fomento Inmobiliario Levantino, S.L.	-	-
Portfolio Grandes Áreas Comerciales, S.A.U	(10,645)	(9,660)
Noralia, S.A.	-	(19,750)
SIIC de Paris Group	-	(70,519)
Realia Business Portugal-Unipessoal, Lda.	(685)	(88)
Inversiones Inmobiliarias Rústicas y Urbanas 2000, S.L.	2,175	(2,778)
Realia Polska, SP. ZOO	(1,222)	(1,231)
Studio Residence Iberia	71	69
Desarrollo Urbanístico Sevilla Este, S.L.	-	(2,068)
As Cancelas Siglo XXI, S.L.	676	(53)
Realia Contesti, S.R.L	1,422	(16)
Realia Zarea, S.R.L	(686)	199
Guillena Golf, S.L.U.	-	(1)
Servicios Índice, S.A.	(1,040)	(1,032)
Setecampos	-	96
Realia Patrimonio, S.L.U.	(36,779)	58,013
Valaise, S.L.U.	15	18
Retingle, S.L.	616	594
Total	**4,017**	**(8,951)**

18. Non-controlling interests

The changes in "Non-Controlling Interests" and in the profit or loss attributable to non-controlling interests were as follows:

	Thousands of Euros
Balance as at 31/12/12	509,130
Changes in the scope of consolidation	(12,841)
Valuation adjustments	5,351
Dividends paid	(16,946)
Profit for 2013	29,806
Balance as at 31/12/13	**514,500**
Changes in the scope of consolidation (Note 2-f)	(369,691)
Valuation adjustments	2,644
Dividends paid	(14,332)
Profit for 2014	3,230
Balance as at 31/12/14	**136,351**

The detail, by company, of "Non-Controlling Interests" at 31 December 2014 is as follows:

	Thousands of Euros
Planigesa, S.A.	19,001
Hermanos Revilla, S.A.	102,917
Boane 2003, S.A.U.	(2,509)
Servicios Índice, S.A.	5,312
Fomento Inmobiliario Levantino, S.L.	232
Retingle, S.L.	11,398
Balance as at 31/12/14	**136,351**

The companies holding ownership interests of more than 10% in a Group company included under "Non-Controlling Interests" are as follows:

	Company	Percentage of Ownership	
		2014	2013
Nozar, S.A.	Servicios Índice, S.A.	39.92%	39.92%
Estudios de Investigación y Servicio, S.L.	Fomento Inmobiliario Levantino, S.L.	49.00%	49.00%
Gestión de Inmuebles y Solares, S.L.	Planigesa, S.A.	23.48%	24.00%
Inmosirenis, S.L.U.	Retingle, S.L.	49.90%	49.90%
Société Foncière Lyonnaise	SIIC de Paris	-	29.99%

19. Provisions

Long-term provisions

The changes in "Long-Term Provisions" in 2014 and 2013 were as follows:

	Thousands of Euros		
	Warranty Provision	Other Provisions	Total
Balance as at 31/12/12	8,074	3,930	12,004
Charge for the year	-	89	89
Transfers	(346)	(717)	(1,063)
Amounts used/reversed	(1,800)	(446)	(2,246)
Changes in the scope of consolidation	-	(471)	(471)
Balance as at 31/12/13	**5,928**	**2,385**	**8,313**
Charge for the year	88	1,508	1,596
Transfers from short term	477	-	477
Amounts used/reversed	(1,046)	(250)	(1,296)
Changes in the scope of consolidation (Notes 2 and 13)	-	(1,492)	(1,492)
Balance as at 31/12/14	**5,447**	**2,151**	**7,598**

"Warranty Provision" reflects the Group's estimate of the amount required to cover at any given time any liability arising as a result of defects in quality, latent defects or extraordinary repairs or other contingencies relating to the properties delivered, completed or pending sale, that might arise during the developer's maximum liability period (ten years).

In 2014 EUR 1,046 thousand were reversed from the "Warranty Provision" since it was considered that the provision created was sufficient to cover the related liability due to the diminishing activity levels, which led to a gradual decrease in the housing stock covered by provisions. The amount reversed is recognised under "Change in Write-downs, Impairment Losses and Provisions" in the accompanying consolidated statement of profit or loss (see Note 24-i).

The amount recognised under "Other Provisions" relates in part to the estimates made by the Parent to cover possible liability from lawsuits arising from claims filed by third parties. In 2014 the Group recognised provisions in this connection, amounting to EUR 1,508 thousand, under "Change in Write-Downs, Impairment Losses and Provisions" in the accompanying consolidated statement of profit or loss (see Note 24-i).

In December 2014 long-term provisions amounting to EUR 1,492 thousand relating to the SIIC de Paris subgroup were reclassified to "Non-Current Liabilities Classified as Held for Sale" (see Note 13). This transfer was performed due to an agreement to sell the entire ownership interest of the aforementioned subgroup.

In 2013 EUR 1,800 thousand of the provision for warranties were reversed. The amount reversed is recognised under "Change in Write-downs, Impairment Losses and Provisions" in the accompanying consolidated statement of profit or loss (see Note 24-i). The changes in scope of consolidation related to the exclusion from the scope of consolidation of Noralia (see Note 2-f).

Short-term provisions

In 2014 the Group reversed a provision of EUR 1,325 thousand due to excessive provisions (see Note 24-i) recognising the amount reversed under "Change in Write-Downs, Impairment Losses and Provisions" in the accompanying consolidated statement of profit or loss.

In 2013 the Parent used EUR 4,233 thousand for various expenses arising from lawsuits and the expenses incurred in the financial restructuring initiated in 2012. Of the amount used, EUR 743 thousand were recognised under "Outside Services", EUR 1,808 thousand under "Staff Costs" and EUR 1,653 thousand under "Finance Costs" in the accompanying consolidated statement of profit or loss. A provision of EUR 2,167 thousand was reversed due to excessive provisions (see Note 24-i) and recognised under "Change in Write-Downs, Impairment Losses and Provisions" in the accompanying consolidated statement of profit or loss.

In 2013 EUR 1,205 thousand were derecognised mainly as a result of the judgment against the Parent in relation to the payment of taxes arising from the enforcement of liability.

20. Bank borrowings and other financial liabilities

The detail of the Group's "Bank Borrowings and Other Financial Liabilities" as at 31 December 2014 and 2013 is as follows:

	Thousands of Euros	
	2014	2013
Non-Current:		
Loans and other bank borrowings	602,953	1,150,612
Loans and other associate-bank borrowings (Note 25)	255,651	380,610
Loans and other payables to third parties	600,957	437,534
(Loan arrangement costs)	(3,316)	(7,036)
Total bank borrowings and other non-current financial liabilities	**1,456,245**	**1,961,720**
Current:		
Loans and other bank borrowings	85,517	135,933
Loans and other associate-bank borrowings (Note 25)	11,086	5,615
Loans and other payables to third parties	214,950	171,972
Payable to non-current asset suppliers	1,057	9,072
Derivatives (Note 30)	-	19,774
Notes payable	1,210	834
(Loan arrangement costs)	(202)	(182)
Interest	3,339	7,536
Other	49	28
Total bank borrowings and other current financial liabilities	**317,006**	**350,582**
Total	**1,773,251**	**2,312,302**

The detail, by security provided, of the bank borrowings and payables to third parties as at 31 December 2014 and 2013 is as follows:

Current and Non-Current Loans and Credit Facilities	Thousands of Euros			
	2014		2013	
	Limit	Drawn Down	Limit	Drawn Down
Personal and other guarantees	33,000	19,955	67,150	50,692
Mortgage guarantee	62,367	61,275	78,794	77,702
Syndicated non-recourse guarantees	838,268	838,268	1,311,432	1,311,432
Syndicated with-recourse guarantees	791,617	791,617	786,014	786,014
(Loan arrangement costs)		(3,518)		(7.218)
Interest on current bank borrowings		3,335		5,452
Gross financial bank borrowings		1,710,932		2,224,074
Participating loan		59,999		56,436
Interest on participating loans		4		2,084
	1,725,252	**1,770,935**	**2,243,390**	**2,282,594**

The detail, by type, of the bank borrowings as at 31 December 2014 and 2013 is as follows:

Current and Non-Current Loans and Credit Facilities	Thousands of Euros	
	2014	2013
Transferable mortgage loan	18,991	31,352
Borrowings without recourse to the shareholder	900,507	1,408,474
Syndicated development loan	791,617	786,014
Participating loan	59,999	56,436
(Loan arrangement costs)	(3,518)	(7,218)
Interest	3,339	7,536
Total	**1,770,935**	**2,282,594**

The maturity of the loans and bank borrowings is as follows:

	Thousands of Euros	
	2014	2013
2014	-	51,756
2015	58,824	61,278
2016	906,360	914,070
2017	771,078	1,226,742
2018	12,674	6,816
2019 (*)	5,585	29,150
2020 and subsequent years	19,932	-
(Loan arrangement costs)	(3,518)	(7,218)
	1,770,935	**2,282,594**

(*) In the detail for 2013, the 2019 maturity includes 2019 and subsequent years.

Of the total amount drawn down against loans at 31 December 2014 and 2013, EUR 265,821 thousand and EUR 394,831 thousand, respectively, are balances with associates relating to loans from Bankia, one of the Group's shareholders (see Note 25).

At 31 December 2014, the loan arrangement costs amounted to EUR 3,518 thousand (31 December 2013: EUR 7,218 thousand) and had been deducted from "Bank Borrowings" and "Other Financial Liabilities" in the accompanying consolidated balance sheet.

Syndicated loans - Rental property

In April 2007 Realia Patrimonio, S.L.U. restructured the bank borrowings by arranging a limited recourse syndicated credit facility with 2 banks, which subsequently transferred a portion of their position to 14 other banks, thereby reaching a total of 16 banks, for an initial limit of EUR 1,087,000 thousand. At the end of 2014, after various repayments, the limit was reduced to a maximum of EUR 838,268 thousand, which does not include the loan arrangement costs of EUR 2,898 thousand at 2014 year-end. The applicable interest rate varies on the basis of the loan to value (LTV) ratio (amount of the facility with respect to the gross market value of the assets). At 2014 year-end the credit facility was arranged in a single tranche, with final maturity in 2017.

Also, on 30 September 2011 Realia Patrimonio used EUR 92,635 thousand (mainly funds earmarked for reinvestment obtained on the sale of the Diagonal 640 building , Barcelona, in August 2010 and of other properties) for the early repayment of the syndicated loan. Accordingly, the repayments from 31 December 2011 to 31 December 2014, inclusive, were settled in full and the instalments for 2015 were reduced to EUR 34,840 thousand.

In June 2013, pursuant to the requirements established in Additional Provisions Eight and Nine of Law 9/2012, of 14 November, and Article 48 of Royal Decree-Law 1559/2012, of 15 November, Caixa Catalunya S.A., assigned all the syndicated borrowings of Realia Patrimonio, S.L.U. to Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A. (SAREB) (Bank Restructuring Asset Management Company). Consequently, the Group reclassified these borrowings to "Other Current Financial Liabilities", for an overall amount of EUR 10,405 thousand.

Also, in 2014 the transfer of the debt relating to transactions performed by banks and similar institutions was also recognised. Specifically, in June 2014 Banco Sabadell, S.A. assigned all the syndicated borrowings of Realia Patrimonio, S.A.U., amounting to EUR 10,303 thousand, to Goldman Sachs International Bank.

Also, in February 2014 Liberbank, S.A. assigned all the syndicated borrowings of Realia Patrimonio, S.A.U., amounting to EUR 7,804 thousand, to Citibank International Limited bank. Lastly, in October 2014 Hypothekenbank Frankfurt AG assigned all the syndicated borrowings of Realia Patrimonio, S.A.U. to the financial institutions AXA France IARD, AXA Insurance UK and MML Dublin Mortgage Loans, amounting to of EUR 16,597 thousand, EUR 7,972 thousand and EUR 26,943 thousand, respectively. Consequently, the Group reclassified this debt to "Other Current Financial Liabilities", which then totalled EUR 59,316 thousand.

In addition, in accordance with the covenants of this syndicated loan, on 30 June 2014 EUR 7,286 thousand were repaid early with a charge to 50% of the free cash flow ratio and EUR 1,078 thousand from funds to be reinvested obtained from the sale of certain properties of the subgroup SIIC de Paris.

The amount drawn down at 2014 year-end was EUR 838,268 thousand, of which 31.8% relates to financing provided by associate banks, 6.2% to financial institutions, 1.2% to SAREB and the remainder was provided by other top tier banks. The facility bears interest at Euribor plus a spread of 75 basis points.

During the term of the aforementioned syndicated agreement of Realia Patrimonio, certain interest coverage and net borrowing ratios relating to the GAV of the property assets of Realia Patrimonio must be achieved. At 2014 year-end, the ratios set were being achieved.

In April 2007 SIIC de Paris also arranged a syndicated credit facility with 2 banks, which subsequently transferred a portion of their position to 14 other banks, thereby reaching a total of 16 banks, in order to restructure its borrowings and obtain additional financing. The limit of the credit facility was EUR 545,000 thousand, with final maturity in 2017. The facility bears interest at Euribor plus a spread of 75 basis points.

The sale of the SIIC Paris subgroup gave rise to a decrease of EUR 1,023.1 million in the net borrowings of the Realia Group, consisting of EUR 478.7 million relating to the net borrowings of the SIIC Paris subgroup at the date of sale and EUR 544.4 million relating to the cash proceeds received.

At 31 December 2014, the Group had not arranged any interest rate hedges as they had expired in June 2014 (see Note 30). At 31 December 2013 the Group had arranged interest rate hedges amounting to EUR 892,240 thousand The interest rate to which these derivatives were tied is one-month Euribor, with monthly interest accrual. The weighted average fixed rate of interest set for the eight and sixteen tranches of the derivatives are 4.588% and 4.574%, respectively.

Syndicated loan - Development

On 27 September 2013, having met the conditions precedent, the Parent formalised an agreement entered into on 26 July, relating to the extension and restructuring of the borrowings of its residential business with the banks forming the banking syndicate, the holder of the borrowings, amounting to EUR 846,341 thousand. This agreement was favourably and unreservedly reported on by the independent expert appointed for such purpose by the Mercantile Registry.

The main characteristics of the aforementioned agreement were as follows:

1. A separate solution outside the scope of the syndicate was negotiated with two banks:

a. Of the EUR 38.1 million owed to one of the banks, EUR 21.0 million were repaid and finance income of EUR 17.1 million was recognised for the remainder of its portion (effect of the debt reduction).

b. A EUR 16.2 million bilateral loan (mortgage guarantee) was arranged with another party, maturing on 27 September 2016, subject to the sale of the guarantees relating to the aforementioned loan.

2. Of the remaining amount, the new structure of the syndicated loan based on this agreement set its maturity at 30 June 2016, in relation to a business plan that includes obligatory minimum repayments in accordance with the agreed-upon schedule.

The established interest rate is Euribor plus a spread of 200 basis points. The Parent must pay a spread of 50 basis points over the term of the loan and the remaining 150 basis points may be capitalised annually and are payable upon maturity of the loan in 2016.

The new syndicated loan includes a series of obligations, as follows:

- The Parent undertakes to meet all the milestones established in the property divestment plan relating to finished properties.

- The Parent undertakes to adopt the necessary measures to obtain funds to repay the loan, whether through direct investments in Realia Business S.A. or through the sale of shares in its subsidiary Realia Patrimonio, S.L.U.

- Prior to 30 June 2014, the Parent undertook to formalise a restructuring mandate with an international bank of renowned prestige to carry out an organised process to attract investors to divest the interests of the asset-holding company and to invest in the Company.

In accordance with the framework of obligations of the debt restructuring agreement mentioned above, in November 2013 the Company entered into an agreement with an investment bank of international renowned prestige to carry out the organised process to attract the funds required by the financing agreement. The aim of this process is to seek a solution that satisfies the objectives of the shareholders and financial creditors.

In 2014 debt transfers were recognised by the financial institutions involved in the syndicated development loan. Specifically, in February 2014, Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria (S.A.R.E.B.) assigned all the syndicated borrowings of Realia Business, S.A., amounting to EUR 433,451 thousand, to the CF Aneto Limited.

In April 2014 the bank Banco Bilbao Vizcaya Argentaria, S.A. assigned all the syndicated borrowings of Realia Business, S.A., amounting to EUR 81,730 thousand, to KSAC Europe Investments S.a.r.l. and, accordingly, this debt was reclassified from "Bank Borrowings" to "Current Payables - Other Financial Liabilities" and "Non-Current Payables - Other Financial Liabilities".

Also, in June 2014 Banco de Sabadell, S.A. assigned all the syndicated borrowings of Realia Business, S.A. to KSAC Europe Investments S.a.r.l. and Goldman Sachs International Bank, amounting to EUR 68,710 thousand and EUR 52,958 thousand, respectively. Consequently, the debt assigned to KSAC Investments, S.a.r.l. was reclassified from "Bank Borrowings" to "Non-Current Payables - Other Financial Liabilities".

Lastly, on 29 August FSAC Investments, S.a.r.l. assigned EUR 24,965 thousand to CF Aneto Limited and on 19 November 2014 assigned EUR 227,470 thousand to Puffin Real Estate Limited, thereby assigning all the syndicated borrowings of Realia Business, S.A.

In 2013 the Parent made partial obligatory minimum repayments amounting to EUR 5,773 thousand. In addition, in 2014 the Parent made early partial payments in relation to the syndicated loan amounting to EUR 6,402 thousand. In this respect, the repayment for 30 June 2015 was made and the repayment for 31 December 2015 was reduced to EUR 1,642 thousand.

The syndicated loan bears interest at one-month Euribor plus a spread of 0.5% payable at the end of each interest period. Also, the syndicated loan bears interest that may be capitalised every year and payable on maturity, at a yearly rate of 1.5% of the average balance payable in each interest period. In 2014 the PIK interest accrued in the period from September 2013 to September 2014 was capitalised, amounting to EUR 12,008 thousand, as an addition to the principal.

The Parent pledged all of its ownership interest in its subsidiary Realia Patrimonio, S.L.U. to secure this syndicated loan, with a limit of 95% of the dividend rights and gave a security interest in collection rights to loans to Group companies and set up a first-ranking mortgage on land owned by the Parent. The aforementioned loan provides for certain cases in which early repayment will be required, including most notably the case in which, in the event of a capital increase at the Parent which does not lead to a change in control, the monetary contributions must be used in full to repay the financing early, except for the amounts necessary to cover any envisaged cash variances with respect to the business plan.

Also, 60% of the net income from sales of unmortgaged assets, 100% in the case of mortgaged assets and dividends received from investees must be used for the early repayment of the syndicated loan, except for the dividends received from Realia Patrimonio, S.L.U., which may be used to meet the business plan.

Participating loan

At 31 December 2014, the Parent had taken out a participating loan amounting to EUR 59,999 thousand, and accrued interest payable of EUR 4 thousand, granted by one of its main shareholders, Corporación Financiera Caja Madrid, S.A. (Bankia), which in 2012 assigned the drawn down balance and interest accrued to Sociedad de Activos Procedentes de la Reestructuración Bancaria S.A. (SAREB).

This loan was originally arranged in 2009 for a total of EUR 100 million, on an equal-footing basis between the two main shareholders at that date (Fomento de Construcciones y Contratas, S.A. and Corporación Financiera Caja Madrid), as a condition for the arrangement of the aforementioned syndicated loan.

Since the aforementioned loan was arranged on condition of the syndicated loan being granted, the non-extinctive modifying novations thereof provided for the novation of this loan. Accordingly, the refinancing agreement entered into by the Parent and the bank syndicate on 26 July 2013 and effective from 27 September 2013 entails the renewal of the participating loan and the extension of its maturity until 1 July 2016, with a 0.5% interest rate plus a maximum floating rate of 2%.

On 29 November 2013, the capitalisation of EUR 57,590 thousand of the portion of the participating loan granted by Fomento de Construcciones y Contratas, S.A. to the Parent was executed in a public deed, out of the total amount of EUR 57,980 thousand accrued at that date, and EUR 390 thousand were recognised as finance income as a result of the remission of the aforementioned amount.

In relation to the participating loan corresponding to Sociedad de Activos Procedentes de la Reestructuración Bancaria S.A. (SAREB), as established in the agreement, up to a maximum of EUR 29,000 thousand may be freely capitalised on 15 February 2016. This capitalisation does not give the right to an ownership interest of more than 4.5% of the borrower's capital and, upon maturity, the balance of the freely convertible tranche and the outstanding portion of the loan may be either capitalised or reduced, in accordance with the contractual terms and conditions.

Mortgages and other loans

As a result of the agreement for the refinancing of the syndicated credit facility, the Parent negotiated with one of the banks to convert its borrowings amounting to EUR 16,238 thousand at that date into a bilateral arrangement ,with maturity on 27 September 2016 and accrual of interest tied to Euribor plus 200 basis points. As with the Parent's syndicated loan, the Company must pay a spread of 50 basis points over the life of the loan and the remaining 150 basis points will be capitalised every year and payable on maturity of the loan in 2016. At the end of 2014 the outstanding balance of the mortgage loan amounted to EUR 8,454 thousand.

In addition, at 31 December 2014 the Parent had two more mortgage loans against which a total of EUR 5,851 thousand had been drawn down (31 December 2013: EUR 6,377 thousand).

At 31 December 2014, Hermanos Revilla, S.A. had loans with mortgage guarantees up to a limit of EUR 43,376 thousand, of which EUR 42,284 thousand had been drawn down (31 December 2013: EUR 46,350 thousand).

Also, at 31 December 2014 Hermanos Revilla, S.A. had been granted credit facilities with a limit of EUR 33,000 thousand, of which EUR 19,955 thousand had been drawn down (31 December 2013: EUR 15,542 thousand).

In addition, at 31 December 2014 Realia Business Portugal and Retingle had two mortgage loans against which a total of EUR 4,686 thousand had been drawn down (31 December 2013: EUR 10,409 thousand).

The average interest rate prevailing at 31 December 2014 applicable to the Group's total bank and similar borrowings (bank debt assigned to SAREB and financial institutions) was 1.46%. The average weighted interest of the current financial liabilities and non-current financial liabilities in 2014, taking into account the total finance costs (see Note 24-f) amounted to 2.36%.

Interest rate hedges

Derivatives are measured at their fair value, as indicated in Notes 4-k and 5.

At 31 December 2014, the Group had not arranged any interest rate hedges as they had expired in June 2014 (see Note 20). At 31 December 2013, the Realia Group had arranged interest rate hedges. The instruments used (swaps) enabled 40.09% of the bank borrowings tied to a floating rate to be hedged against possible increases in interest rates at 31 December 2013 (see Note 30).

To calculate the fair value of the derivatives, the Group used a valuation technique based on discounted cash flows, in accordance with the implicit interest rates in the forward curve, both for the portion received of the instrument and the portion paid.

Following the entry into force of IFRS 13, on 1 January 2013 (see Note 5), a credit risk adjustment is required to be considered as part of the measurement of the fair value of derivatives. Accordingly, an adjustment was made for counterparty credit risk (CVA) and for the own credit risk of the Realia Business S.A. and Subsidiaries Group. This adjustment is made by using simulation techniques of future scenarios that enable the effect on the fair value of both risks to be estimated.

At 31 December 2013, the Realia Business S.A. and Subsidiaries Group had recognised own and counterparty credit risk in accordance with the net exposure to each counterparty, which was assigned to each arranged derivative.

The assets and liabilities arising from hedging instruments included the amount relating to the effective portion of the changes in the fair value of these instruments designated as hedges.

Classification of financial instruments

In relation to the assets and liabilities measured at fair value, the Group has used the hierarchy defined in IFRS 13 for their classification, in accordance with the inputs used in their valuation and their observability in the market.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

- Level 2: inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, directly or indirectly through valuation techniques that use observable market inputs.

- Level 3: unobservable market inputs for the asset or liability.

In accordance with the new IFRS 13, the level of the hierarchy within which an asset or liability is categorised in its entirety (Level 1, Level 2 or Level 3) is determined in accordance with the relevant input used in the lowest valuation within the fair value hierarchy. If the inputs used to measure the fair value of an asset or liability can be categorised into different levels, the measurement of the fair value is categorised in its entirety within the same level of the fair value hierarchy as the lowest level input that is significant for the measurement of the value.

All the instruments are categorised in Level 2 within the valuation hierarchy.

The fixed interest rates set for these transactions until their maturity in June 2014 were 4.57% for SIIC de Paris and 4.59% for Realia Patrimonio.

The use of interest rate hedges in 2014 gave rise to borrowing costs of EUR 12,948 thousand (2013: EUR 40,490 thousand) (see Note 24-f). Of these costs in 2014 and 2013, EUR 6,250 thousand are recognised under "Profit (Loss) from Discontinued Operations" (see Note 13).

The net effect of the expiry in 2014 and the changes in value in 2013, which meet in full all the requirements to qualify for hedge accounting, gave rise to gains of EUR 13,144 thousand and EUR 26,809 thousand, recognised under "Valuation Adjustments", and of EUR 2,643 thousand and EUR 5,351 thousand recognised under "Non-Controlling Interests" in the accompanying consolidated balance sheet.

21. Other liabilities

a) *Other non-current liabilities*

The detail of "Other Non-Current Liabilities" as at 31 December 2014 and 2013 is as follows:

	Thousands of Euros	
	2014	2013
Other non-current liabilities	2,404	2,404
Long-term guarantees and deposits received	13,613	17,854
	16,017	**20,258**

b) *Trade and other payables*

The detail of "Trade and Other Payables" as at 31 December 2014 and 2013 is as follows:

	Thousands of Euros	
	2014	2013
Payable to suppliers - Group companies and associates	1,006	1,208
Payable to suppliers for purchase of land:		
Excluding payment instruments	3,120	3,106
Payable to suppliers	4,146	7,758
Notes payable to suppliers	-	21
Customer advances (Notes 14 and 4-h)	4,001	6,593
Accounts payable	6,846	16,377
Tax payables (Note 22)	5,238	12,906
Current tax liabilities (Note 22)	1,046	122
	25,403	**48,091**

"Trade and Other Payables" includes mainly the amounts payable for construction projects and related costs, purchases of land, the advances received from customers prior to recognition of the sale of properties and balances payable to public authorities.

The directors consider that the carrying amount of trade payables approximates their fair value.

Disclosures on the payment periods to suppliers. Additional Provision Three. "Disclosure obligation" provided for in Law 15/2010, of 5 July

Set forth below are the disclosures required by Additional Provision Three of Law 15/2010, of 5 July, relating to the Group companies registered in Spain:

	%	
	Amounts Paid and Payable at Year-End	
	2014	2013
Paid in the maximum payment period	100%	100%
Other autonomous communities	0%	0%
Total payments made in the year		**100**
Weighted average period of late payment	-	-
Payments at year-end not made in the maximum payment period	0%	0%

The figures shown in the foregoing table in relation to payments to suppliers relate to suppliers that because of their nature are trade creditors for the supply of goods and services and, therefore, they include the figures relating to "Payable to Suppliers" and "Accounts Payable" under "Current Liabilities" in the accompanying consolidated balance sheet.

Weighted average period of late payment was calculated as the quotient whose numerator is the result of multiplying the payments made to suppliers outside the maximum payment period by the number of days of late payment and whose denominator is the total amount of the payments made in the year outside the maximum payment period.

The maximum payment period applicable to the Group in 2014 and 2013 under Law 15/2010, of 5 July, on combating late payment in commercial transactions, was 60 days for all agreements entered into subsequent to the entry into force of the Law.

Pursuant to the aforementioned Provision Three, at 31 December 2014 and 2013 the Group had no outstanding payables arising from agreements entered into after the entry into force of the Law, that are past due by more than the maximum payment period permitted under the Law.

c) *Other current liabilities*

"Other Current Liabilities" includes mainly the rental payments received for rent billed in advance, which are taken to profit or loss on an accrual basis.

22. Tax matters

Since 2007 the Group has filed consolidated tax returns as a tax group headed by the Parent. A consolidated tax group, as regulated in Title VII, Chapter VIII of Legislative Royal Decree 4/2004, of 5 March, is made up of a parent and all the subsidiaries, whether public or private limited liability companies, that are resident in Spain and in which the parent has a direct or indirect ownership interest of at least 75% (see Appendix I).

On 2 February 2007, the Parent was assigned tax group number 135/07 by the Spanish tax authorities.

Therefore, since 2007 the Realia Group has filed consolidated tax returns and, accordingly, "Income Tax" in the accompanying consolidated income statement reflects the sum of the amounts reported in the individual tax returns of the Group companies and the effects arising on consolidation and conversion to IFRSs.

The detail of the main tax receivables and payables is as follows:

	Thousands of Euros							
	Tax Assets				Tax Liabilities			
	Current		Deferred		Current		Deferred	
	2014	2013	2014	2013	2014	2013	2014	2013
Deferred tax assets	-	-	31,453	36,658	-	-	-	-
Tax loss carryforwards	-	-	70,092	89,869	-	-	-	-
Tax credit carryforwards	-	-	19,024	23,114	-	-	-	-
VAT/Canary Islands general indirect tax	97	1,358	-	-	1,544	5,657	-	-
Tax refunds	2,326	898	-	-	-	-	-	-
Income tax payable	-	-	-	-	1,046	122	-	-
Personal income tax withholdings payable	-	-	-	-	259	286	-	-
Accrued social security taxes payable	-	-	-	-	100	804	-	-
Other entities	-	-	-	-	3,335	6,160	-	-
Deferred tax liabilities	-	-	-	-	-	-	16,118	21,755
	2,423	**2,256**	**120,569**	**149,641**	**6,284**	**13,029**	**16,118**	**21,755**

The deferred tax assets and liabilities recognised are reassessed at each reporting date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

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

The changes in deferred tax assets and liabilities in 2014 and 2013 were as follows:

	Thousands of Euros	
	Deferred Tax Assets	Deferred Tax Liabilities
Balance as at 31/12/12	153,922	23,151
Derivatives	(8,193)	-
Period tax loss and tax credit carryforwards	(6,949)	-
Provisions for expenses	(1,981)	-
Provisions for equity investments	-	(2,101)
Consolidation adjustments	2,890	2,400
Accelerated depreciation and amortisation	-	806
Value of merger assets	-	(2,501)
Gain allocated	-	6,725
Gains on consolidation	-	(6,725)
Non-deductible finance costs	8,504	-
Non-deductible depreciation and amortisation expenses	1,448	-
Balance as at 31/12/13	**149,641**	**21,755**
Derivatives	(4,004)	-
Period tax loss and tax credit carryforwards	(23,867)	-
Provisions for expenses	(127)	-
Provisions for equity investments	-	(985)
Consolidation adjustments	(2,997)	(3,167)
Accelerated depreciation and amortisation	-	(39)
Goodwill	-	(1,121)
Non-deductible finance costs	981	-
Non-deductible depreciation and amortisation expenses	965	-
Other	(23)	(325)
Balance as at 31/12/14	**120,569**	**16,118**

In 2014 deferred tax assets were adjusted to the new tax rates established by Law 27/2014, basically to 25%, since it is considered that they will be recovered from 2016 onwards.

The detail of the deferred tax assets and liabilities at 2014 and 2013 year-end is as follows:

	Thousands of Euros			
	Deferred Tax Assets		Deferred Tax Liabilities	
	2014	2013	2014	2013
Tax loss carryforwards	70,092	89,869	-	-
Tax credit carryforwards	19,024	23,114	-	-
Provisions for expenses	849	976	-	-
Derivatives	-	4,004	-	-
Intragroup eliminations	565	3,562	-	-
Non-deductible finance costs	27,512	26,531	-	-
Non-deductible depreciation and amortisation expenses	2,413	1,448	-	-
Other	114	137	-	-
Investment securities	-	-	69	1,054
Gains	-	-	5,604	6,725
Consolidation adjustments	-	-	4,827	7,994
Accelerated depreciation and amortisation	-	-	4,222	4,261
Other	-	-	1,396	drid)
Total	**120,569**	**149,641**	**16,118**	**21,755**

The reconciliation of the accounting loss before tax to the tax loss for 2014 is as follows:

	Thousands of Euros		
	Increase	Decrease	Total
Loss before tax			(14,389)
Permanent differences:			(24,995)
Other consolidation adjustments	1,969	(422)	
Non-deductible provisions	-		
Reallocation of securities	961		
Unrecognised temporary differences		(27,594)	
Other adjustments	91		
Temporary differences arising in the year:			8,280
Non-deductible finance costs	6,302		
Accelerated depreciation and amortisation		(3,315)	
Non-deductible depreciation and amortisation expenses	4,705		
Allowances for doubtful debts	588		
Provision for charges			
Temporary differences arising in prior years:			(1,612)
Accelerated depreciation and amortisation	379		
Offset of recognised tax losses		(1,325)	
Provision for charges		(611)	
Other	166	(221)	
Offset of prior years' unrecognised tax losses		(11)	(11)
Tax loss			**(32,727)**

The income tax expense included in the accompanying consolidated income statement is calculated on the basis of consolidated profit or loss before tax, increased or decreased, as appropriate, by the permanent differences between taxable profit (tax loss) and accounting profit (loss). Based on the legislation applicable to each company, the corresponding tax rate is applied to this adjusted accounting profit (loss). Any tax relief and tax credits earned in the year are then deducted and any positive or negative differences between the tax charge estimated for the previous year's accounting close and the amount of tax subsequently paid are added to or deducted from, respectively, the resulting tax charge.

The income tax expense for 2014 amounted to EUR 23,800 thousand (2013: expense of EUR 826 thousand), as shown in the accompanying consolidated income statement. The reconciliation of the expense to the tax charge payable is as follows:

	Thousands of Euros	
	2014	2013
Accounting loss before tax	(14,389)	(27,178)
Result of companies accounted for using the equity method	(422)	(3,151)
Permanent differences	1,052	305
Consolidation adjustments	1,969	185
Offset of unrecognised tax losses	(11)	(86)
Unrecognised tax losses (*)	43,613	61,955
Unrecognised temporary differences	(27,594)	(27,363)
Adjusted accounting profit	**4,218**	**4,667**
Tax charge	1,266	1,400
Tax credits	-	-
Accrued income tax expense	1,266	1,400
Adjustments to the tax charge	22,534	(574)
Income tax expense (benefit)	**23,800**	**826**
Tax loss and tax credit carryforwards	1,175	(911)
Deferred tax assets and liabilities in the year	2,254	3,549
Adjustments to prior years' income tax	(3,088)	574
Adjustment of tax assets to new tax rates	(19,447)	-
Tax refunds receivable	1,918	375
Tax withholdings and prepayments	(5,544)	(4,259)
Tax payable	(1,068)	(154)

(*) In 2014 and 2013 the Group recognised tax credit and tax loss carryforwards up to the limit of the recoverable amount on the basis of the best estimate of the Parent's directors (see Note 4-o).

"Adjustments to the Tax Charge" includes mainly the impact of the adjustment of the measurement of the deferred tax assets and liabilities, amounting to EUR 19,477 thousand, arising from the entry into force of Spanish Income Tax Law 27/2014, as a result of adjusting them to the tax rate at which they are expected to be recovered. The expense was recognised under "Income Tax" in the accompanying consolidated statement of profit or loss.

The breakdown of the income tax expense for 2014 and 2013 is as follows:

	Thousands of Euros	
	2014	2013
Current tax	(3,266)	(5,076)
Deferred tax	(20,534)	4,250
Total income tax expense	**(23,800)**	**(826)**

The most significant changes introduced by Spanish Income Tax Law 27/2014, which was approved in 2014, were as follows:

- Tax losses may be offset over an unlimited period of time, compared to 18 years under the previous legislation. The limit for the offset of tax losses in 2015 is based on revenue: 60% of the tax base for 2016 and 70% of the tax base amount for subsequent years.

- The tax rate is was reduced from its current rate of 30% to 28% for 2015 and to 25% for subsequent years.

The detail of the Group companies' tax loss carryforwards as at 31 December 2014 and 2013 is as follows:

Year Earned	Thousands of Euros 2014	2013
1998	61	61
1999	393	393
2000	177	177
2001	830	830
2002	185	185
2003	547	547
2004	-	-
2005	586	586
2006	653	653
2007	1,668	1,668
2008	66,576	66,576
2009	30,235	30,245
2010	64,514	64,514
2011	67,806	67,806
2012	250,669	250,675
2013	36,519	52,341
2014	37,037	-
	558,456	**537,257**

The Parent only recognises deferred tax assets associated with tax losses that the directors expect to be recovered (see Note 4-o). The tax losses not recognised by the Group as at 31 December 2014 amounted to EUR 278,085 thousand.

The detail of the Group's tax credit carryforwards is as follows:

Year Earned	Last Year for Deduction	Thousands of Euros Tax Credit Carryforwards 2014	2013	Recognised in 2014	Recognised in 2013
2008	2015	2,288	2,649	2,288	2,649
2009	2016	6,217	8,102	6,217	6,259
2010	2017	325	429	325	375
2011	2018	5,675	8,773	5,675	8,773
2012	2019	3,000	3,598	3,000	3,598
2013	2020	1,283	1,538	1,218	1,460
2014	2021	1,313		300	-
		20,101	**25,089**	**19,023**	**23,114**

Under current legislation, taxes cannot be considered to be definitively settled until the tax returns filed have been reviewed by the tax authorities or the four-year statute of limitation period has elapsed. The Parent has all years from 2011 to 2014 open for review for all state taxes except for income tax for which it also has 2010 open. The remaining subsidiaries composing the Group have the last four years open for review for all state taxes applicable to them and the last five years for income tax.

No material tax contingencies are expected to arise as a result of the approach that the tax authorities might adopt in relation to the years open for review.

23. Guarantee commitments to third parties and other contingent liabilities

At 31 December 2014 and 2013, the Group had provided the following guarantees to third parties:

	Thousands of Euros	
	2014	2013
Guarantees to customers (Law 57/1968)	33	510
Guarantees relating to purchases of land, urban development charges, litigation and other	3,763	6,239
	3,796	**6,749**

"Other" relates mainly to bid bonds provided in public tenders, urban development guarantees and guarantees relating to claims filed with public agencies and authorities. The directors of the Group companies do not expect any material liabilities to arise in relation to the guarantees provided or unresolved litigation and claims.

24. Income and expenses

a) *Revenue*

The detail, by region, of the Group's revenue from the sale of property developments and building lots and property rentals is as follows:

2014

	Thousands of Euros			
	Sale of Property Developments, Building Lots and Other	Leases	Total	%
Madrid	11,589	50,636	62,225	63.74%
Catalonia	4,990	4,278	9,268	9.49%
Valencia	484	-	484	0.50%
Andalusia	3,322	805	4,127	4.23%
The Canary Islands	648	-	648	0.66%
The Balearic Islands	3,942	-	3,942	4.04%
Castilla y León	1,326	114	1,440	1.47%
Castilla-La Mancha	4	3,637	3,641	3.73%
Murcia	-	1,258	1,258	1.29%
La Rioja	-	1,174	1,174	1.20%
Abroad	9,424	-	9,424	9.65%
TOTAL	**35,729**	**61,902**	**97,631**	**100%**

2013

	Thousands of Euros			
	Sale of Property Developments, Building Lots and Other	Leases	Total	%
Madrid	12,368	52,239	64,607	69.21%
Catalonia	2,338	4,146	6,484	6.95%
Valencia	4,303	-	4,303	4.61%
Andalusia	2,842	934	3,776	4.05%
La Rioja	-	1,143	1,143	1.22%
Galicia	-	784	784	0.84%
The Canary Islands	550	-	550	0.59%
The Balearic Islands	1,420	-	1,420	1.52%
Castilla y León	790	79	869	0.93%
Castilla-La Mancha	210	4,030	4,240	4.54%
Murcia	-	1,154	1,154	1.24%
Abroad	4,012	-	4,012	4.30%
	28,833	**64,509**	**93,342**	**100%**

At the end of 2014 the Group's property development, building lot and other sales recognised in the consolidated statement of profit or loss totalled EUR 35,729 thousand (2013: EUR 28,833 thousand).

In 2014 net income from property rental and other services amounted to EUR 61,902 thousand (2013: EUR 64,509 thousand).

At 31 December 2014 and 2013, the Group had contracted with tenants for the following minimum lease payments, based on the leases currently in force, without taking into account the charging of common expenses, future increases in the CPI for 2013 and subsequent years or future contractual lease payment revisions:

	Thousands of Euros	
	2014	2013
Within one year	63,429	67,901
Between two and five years	124,171	139,553
After five years	85,291	51,584
	272,891	**259,038**

b) *Other operating income*

The detail of the amounts recognised in the accompanying consolidated statement of profit or loss is as follows:

	Thousands of Euros	
	2014	2013
Expenses passed on in connection with property rentals and other (Note 4-w)	16,672	15,417
Income from sundry services	1,044	1,793
Total other income	**17,716**	**17,210**

c) *Procurements and other external expenses*

The detail of "Procurements" in the Group's consolidated statement of profit or loss for 2014 and 2013 is as follows:

	Thousands of Euros	
	2014	2013
Purchases of land and building lots	(5,237)	2,757
Changes in inventories	13,948	933
Construction work and services rendered by third parties	(731)	5,250
Total procurements	**7,980**	**8,940**

The items consumed relate mainly to residential buildings and structures annexed thereto, such as garages and business premises.

The expense recognised under this heading relates mainly to transactions performed in Spain.

The detail of the Group's other external expenses in 2014 and 2013 is as follows:

	Thousands of Euros	
	2014	2013
Rent and royalties	92	78
Repair and upkeep expenses	8,450	8,403
Independent professional services	66	2,179
Insurance	497	502
Banking and similar services	81	166
Advertising, publicity and public relations	677	830
Utilities	3,301	3,350
After-sales service and other services provided by third parties	10,522	12,105
Taxes other than income tax	7,230	6,921
Other current operating expenses	11	15
Total other external expenses	**30,927**	**34,549**

d) *Staff costs and average headcount*

The detail of "Staff Costs" is as follows:

	Thousands of Euros	
	2014	2013
Wages, salaries and similar expenses	7,527	9,329
Employee benefit costs	1,028	1,235
Pension contributions and provisions (1)	287	352
Other employee benefit costs	276	291
Total staff costs	**9,118**	**11,207**

(1) The contributions to pension plans have been externalised (see Note 4-ñ).

The average number of employees at the various Group companies in 2014 was 100 (2013: 137). The detail of the headcount at 2014 and 2013 year-end, by professional category, is as follows:

	Average Number of Employees				
	2014				
	Total	Men	Women	Spain	Abroad
Executives and university graduates	39	26	13	39	-
Other line personnel and further education college graduates	9	9	-	9	-
Clerical and similar staff	20	5	15	19	1
Other salaried employees	32	32	-	32	-
	100	**72**	**28**	**99**	**1**

	Average Number of Employees				
	2013				
	Total	Men	Women	Spain	Abroad
Executives and university graduates	54	37	17	47	7
Other line personnel and further education college graduates	24	16	8	15	9
Clerical and similar staff	28	6	22	27	1
Other salaried employees	31	31	-	31	-
	137	**90**	**47**	**120**	**17**

The number of employees at the various Group companies at 31 December 2014 was 99 (31 December 2013: 117).

e) *Result of companies accounted for using the equity method*

The detail of "Result of Companies Accounted for Using the Equity Method" in the consolidated statement of profit or loss is as follows:

	Thousands of Euros	
	2014	2013
Associates		
As Cancelas Siglo XXI, S.L.	519	746
Setecampos Sociedade Inmobiliaria, S.A.	-	(1,385)
Studio Residence Iberia Investimentos Imob., S.A.	(15)	2
Inversiones Inmob. Inver.Inmobiliarias Rústicas y Urbanas 2000, S.L.	(899)	(252)
Desarrollo Urbanístico Sevilla Este, S.L. (Note 11)	-	-
Total	**(395)**	**(889)**

f) Finance income and finance costs

The detail of "Finance Income" and "Finance Costs" in the consolidated statement of profit or loss is as follows:

	Thousands of Euros	
	2014	2013
Finance income:		
Interest on financial assets	2,579	1,316
Income from debt reduction (Note 20)	-	17,147
Other finance income	2,475	3,888
	5,054	22,351
Finance costs:		
Interest on loans	(30,520)	(39,595)
Net expenses associated with derivatives (Note 30)	(12,948)	(27,390)
Capitalised borrowing costs (Note 4-q)	-	338
Other	(115)	1,419
	(43,583)	(65,228)
Impairment and gains or losses on disposals of financial instruments (Note 24-h)	(1,137)	40,595
Financial loss	**(39,666)**	**(2,282)**

The Group did not capitalise any borrowing costs to its property, plant and equipment in 2014 in accordance with IAS 23.

g) Contribution to consolidated loss

The contribution of each company included in the scope of consolidation to loss for the year was as follows:

Companies	Thousands of Euros					
	2014			2013		
	Profit (Loss) Attributable to the Parent	Profit (Loss) Attributable to Non-Controlling Interests	Total	Profit (Loss) Attributable to the Parent	Profit (Loss) Attributable to Non-Controlling Interests	Total
Fully consolidated:						
Realia Business, S.A.	(51,804)	-	(51,804)	(63,468)	-	(63,468)
Valaise	(7)	-	(7)	(3)	-	(3)
Realia Business Portugal-Unipessoal, Lda.	(410)	-	(410)	(1,314)	-	(1,314)
Servicios Índice, S.A.	(38)	(37)	(75)	(9)	(9)	(18)
Planigesa subgroup	5,387	5,540	10,927	5,523	5,788	11,311
Fomento Inmobiliario Levantino, S.L.	5	5	10	44	42	86
Portfolio Grandes Areas Comerciales, S.A.U.	2,041	-	2,041	(992)	8	(984)
Noralia, S.A.	-	-	-	21,818	20,962	42,780
Retingle, S.L.	66	65	131	217	216	433
Realia Polska Inwestycje, ZOO	(94)	-	(94)	652	-	652
Wilanow Realia SP, ZOO	(236)	-	(236)	(3,700)	-	(3,700)
SIIC de Paris Group	(3,369)	(2,343)	(5,712)	4,003	2,782	6,785
Realia Patrimonio, S.L.U.	9,938	-	9,938	(12,160)	-	(12,160)
Realia Contesti	(200)	-	(200)	(181)	-	(181)
Realia Zarea	(27)	-	(27)	(12)	-	(12)
Guillena Golf	(471)	-	(471)	(536)	-	(536)
Accounted for using the equity method:						
As Cancelas Siglo XXI, S.L.	519	-	519	729	17	746
Setecampos Sociedade Inmobiliaria, S.A.	-	-	-	(1,386)	-	(1,386)
Studio Residence Iberia Investimentos Imob., S.A.	(15)	-	(15)	2	-	2
Inversiones Inmob. Inver.Inmobiliarias Rústicas y Urbanas 2000, S.L.	(899)	-	(899)	(252)	-	(252)
Desarrollo Urbanístico Sevilla Este, S.L.	-	-	-	-	-	-
	(39,614)	**3,230**	**(36,384)**	**(51,025)**	**29,806**	**(21,219)**

h) Impairment and gains or losses on disposals of financial instruments

The detail of "Impairment and Gains or Losses on Disposals of Financial Instruments" in the consolidated statement of profit or loss is as follows:

	Thousands of Euros	
	2014	2013
Impairment and other losses (Note 14)	(1,137)	(2,781)
Gains or losses on disposals and changes in the scope of consolidation (Note 2-f)	-	43,376
	(1,137)	**40,595**

"Gains or Losses on Disposals" in 2013 relates basically to the gain on the liquidation of Noralia, S.A., approved in 2014 (see Note 2-f). This company's exclusion from the scope of consolidation gave rise to a gain of EUR 43,376 thousand.

i) Changes in write-downs, impairment losses and provisions

The detail of "Changes in Write-Downs, Impairment Losses and Provisions" in the consolidated statement of profit or loss is as follows:

	Thousands of Euros	
	2014	2013
Net write-down of work in progress and finished goods (Note 14)	(705)	(20,574)
Net impairment losses on land and building lots (Note 14)	3,956	(34,103)
Excessive provisions (Note 19)	1,325	2,167
Net write-downs, impairment losses and provisions	668	6,775
	5,244	**(45,735)**

25. Balances and transactions with related companies

The Group had the following balances with related companies at 2014 year-end:

	Thousands of Euros								
	Assets			Financial Liabilities			Other Liabilities		
	Non-Current	Current	Total	Non-Current	Current	Total	Non-Current	Current	Total
Bankia (Notes 16, 20 and 21)	-	438,586	438,586	254,767	11,054	265,821	-	1	1
FCC Construcción	-	-	-	-	49	49	-	-	-
FCC Indust. e Infraest. Energ, S.A.U	-	-	-	-	158	158	-	549	549
Fedemes, S.L.	-	-	-	-	-	-	260	-	260
Fomento Constr. y Contratas	-	1	1	-	-	-	27	-	27
Serv. Especiales de Limpieza, S.A	-	-	-	-	-	-	-	403	403
Sist. Vehículos de Alta Tecnología	-	-	-	-	-	-	1	-	1
Studio Residence	81	-	81	-	29	29	-	-	-
Ronda Norte Denia, S.L.	143	371	514	-	-	-	-	-	-
Inmob. Rúst. y Urbana	16,666	4,827	21,493	-	-	-	-	-	-
As Cancelas S-XXI	23,727	18,062	41,789	-	-	-	-	-	-
	40,617	**461,847**	**502,464**	**254,767**	**11,290**	**266,057**	**288**	**953**	**1,241**

The Group had the following balances with related companies at 2013 year-end:

	Thousands of Euros								
	Assets			Financial Liabilities			Other Liabilities		
	Non-Current	Current	Total	Non-Current	Current	Total	Non-Current	Current	Total
Bankia (Notes 16, 20 and 21)		43,220	43,220	378,783	16,048	394,831	-	6	6
FCC Construcción	-	-	-	-	-	-	49	87	136
FCC Indust. e Infraest. Energ S.A.	-	-	-	-	273	273	-	687	687
Fedemes, S.L.	-	-	-	-	-	-	260	-	260
Fomento Constr. y Contratas	-	1	1	-	-	-	27	-	27
Serv. Especiales de Limpieza, S.A	-	-	-	-	-	-	-	367	367
Sist. Vehículos de Alta Tecnología, S.A.	-	-	-	-	-	-	1	-	1
Studio Residence	96	-	96	-	29	29	-	-	-
Ronda Norte Denia, S.L.	143	358	501	-	-	-	-	-	-
Inmob. Rúst. y Urbana	17,149	4,797	21,946	-	-	-	-	-	-
As Cancelas S-XXI	23,041	18,661	41,702	-	-	-	-	-	-
Acciona Inmob S.L.U. (UTE La Minilla)	-	-	-	-	-	-	-	61	61
Realia Rosal UTE	-	-	-	-	16	16	-	-	-
UTE La Minilla	-	4	4	-	-	-	-	-	-
UTE Golf Maresme	-	423	423	-	-	-	-	-	-
	40,429	**67,464**	**107,893**	**378,783**	**16,366**	**395,149**	**337**	**1,208**	**1,545**

The purchases, sales, services rendered and other transactions with Group companies and associates, and the related interest charged and paid, were as follows:

	Thousands of Euros	
	Associates	
	2014	2013
Purchases associated with land	74	493
Rental income	3,060	2,001
Services rendered	305	462
Other income	704	602
Services received	1,842	2,164
Interest charged	9,439	18,901
Interest paid	2,586	1,651

In 2014 and 2013 no significant transactions were carried out with related companies other than those disclosed herein.

26. Situations of conflict of interest involving the directors

The members of the Board of Directors have reported that in 2014 they were not involved in any situations of conflict, either indirectly or directly, with the interests of the Realia Business, S.A. Group. They also reported that there were no situations of direct or indirect conflict with the interests of the Group involving parties related to them. However, they did report the following:

1) With regard to the ownership interests that they hold in companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the company object of Realia Business, S.A. and the positions or functions that they discharge at those companies:

   a) The director Iñigo Aldaz Barrera declared that he owns a 20% equity interest in and is a director of Imbal, S.A., a family concern engaging in property management.
   b) The directors E.A.C. Inversiones Corporativas, S.L. and Meliloto, S.L. declared that they have interests in Fomento de Construcciones y Contratas, S.A.; the former two own equity interests of less than 0.050%. E.A.C. Inversiones Corporativas, S.L. is a director of the aforementioned company.
   c) The other directors declared that they do not hold any ownership interests in the share capital of any companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the company object of Realia Business, S.A.

2) The directors Inmogestión y Patrimonios, S.A., Participaciones y Cartera de Inversión, S.L. and Mediación y Diagnósticos, S.L. declared that the following companies related to them (BFA-BANKIA Group companies) hold ownership interests in companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the company object of Realia Business, S.A. and discharge the positions or functions detailed in Appendix IV.

3) The directors disclosed that they do not carry on any activities, as independent professionals or as employees, that are identical, similar or complementary to the activity that constitutes the object of Realia Business, S.A.

4) The detail of the members of the Board of Directors who hold positions at companies in which Realia Business, S.A. holds a direct or indirect ownership interest is as follows:

   a) Ignacio Bayón Mariné is a member of the boards of the Spanish companies Realia Business, S.A., Hermanos Revilla, S.A., Planigesa, S.A. and Boane 2003, S.A.U. He is also the individual representing the sole director of the Spanish company Realia Patrimonio, S.L.U. and the Romanian company Realia Contesti, S.R.L.
   b) Íñigo Aldaz Barrera is a member of the boards of the Spanish companies Realia Business, S.A., Hermanos Revilla, S.A., Planigesa, S.A. and Boane 2003, S.A.U. and the individual representing one of the directors of As Cancelas Siglo XXI, S.L. He is also the individual representing the sole director of the Spanish company Valaise, S.LU. and the Romanian company Realia Contesti, S.R.L. Lastly, he is the sole director of the Portuguese company Realia Business Portugal - Unipessoal, Lda and of the Polish companies Wilanow Realia Polska, Zoo and Realia Polska Inwestycje Spolka, Zoo.

27. Remuneration and other benefits of directors and senior executives

The detail of the remuneration received in 2014 and 2013 by the members of the Board of Directors and senior executives of Realia Business, S.A. is as follows:

2014

	Thousands of Euros						
	No. of People	Salaries	Variable remuneration	Bylaw-Stipulated Directors' Emoluments	Pension Plans	Insurance Premiums	Other
Directors	10	1,094	223	656	25	40	4
Senior executives	5	1,042	475	-	54	5	5
	15	**2,136**	**698**	**656**	**79**	**45**	**9**

2013

	Thousands of Euros					
	No. of People	Salaries	Bylaw-Stipulated Directors' Emoluments	Pension Plans	Insurance Premiums	Other
Directors	10	1,094	643	25	35	3
Senior executives	6	1,214	-	66	4	5
	16	**2,308**	**643**	**91**	**39**	**8**

Details of each of the directors' remuneration are provided in the Parent's annual remuneration report for 2014.

28. Fees paid to auditors

In 2014 and 2013 the fees for financial audit and other services provided by the auditor of the Group's consolidated financial statements, Deloitte, S.L., and by companies belonging to the Deloitte network, and the fees for services billed by the auditors of the separate financial statements of the consolidated companies and by companies related thereto through control, common ownership or management, were as follows:

2014

	Services Provided by the Auditor Deloitte and by Related Firms	Other Auditors
Audit services	168	-
Other attest services	27	-
Total audit and related services	**195**	-
Other services	160	141
Total professional services	**355**	**141**

2013

	Services Provided by the Auditor Deloitte and by Related Firms	Other Auditors
Audit services	166	201
Other attest services	310	-
Total audit and related services	**476**	**201**
Other services	184	66
Total professional services	**660**	**267**

29. Information on the environment

The Group companies pay particular attention to the environmental impact of the projects carried out and the investments made by them in the normal course of their property development activities. However, it was not necessary to incorporate any environmental protection and improvement systems, equipment or installations into its property, plant and equipment.

In 2014 the Group incurred environmental expenses amounting to EUR 138 thousand.

The Group companies consider that they do not have any environmental risks, contingencies or liability and, accordingly, no provision was recorded in this connection.

Also, no environmental grants were received and no material income was obtained from environmental activities.

30. Risk management

The Realia Business Group is exposed to certain risks which it manages by applying risk identification, measurement, concentration limitation and oversight systems. For this purpose, the Parent has a risk map in which the procedures that may give rise to these risks within its organisation are analysed and quantified, and measures are taken to prevent them.

Capital management

The Group manages its capital to ensure that the Group companies are able to continue to operate as profitable businesses while maximising the return for shareholders through an optimum debt-to-equity balance. The cost of capital and the risks associated with each class of capital are reviewed by the Group when assessing whether to approve or reject the investments proposed by the business areas.

The financial area responsible for the management of financial risks reviews the capital structure every six months, in addition to net debt/GAV ratio.

The main principles defined by the Realia Business Group when establishing its policy for the management of the principal risks are as follows:

1. - Compliance with all the Group's rules.

2. - Establishment by the businesses and corporate areas, for each market in which they operate, of the level of risk that they are prepared to assume, on a basis consistent with the strategy defined.

3. - Establishment by the businesses and corporate areas of the risk management controls required to ensure that the transactions performed in the markets comply with the Group's policies, rules and procedures.

The main risks worth noting are:

Financial risks

The concept of financial risk refers to the changes in the financial instruments arranged by the Group as a result of market and other factors and the repercussion thereof on the consolidated financial statements.

The Realia Business Group's risk management philosophy is consistent with its business strategy and seeks to achieve maximum efficiency and solvency at all times. To this end, strict financial risk management and control criteria have been established, consisting of identifying, measuring, analysing and controlling the risks incurred in the Group's operations, and the risk policy has been integrated into the Group organisation in the appropriate manner.

In line with this risk policy, the Realia Business Group arranges hedges initially solely to hedge the underlying transaction and not for speculative purposes.

In view of the Group's activities and the transactions through which it carries on its business, it is currently exposed to the following financial risks:

Credit risk

The Group engages mainly in property development, the sale of land and the lease of property assets. Property development does not entail any credit risk since payment is automatically received on delivery of the asset. With regard to the sale of land, it is normal practice to allow customers certain payment deferrals. Unsecured commercial loans for land sales currently amount to EUR 14.3 million, which the Company wrote down due to the related risk, estimated at EUR 8.9 million. Lastly, there is no material risk with regard to the lease of property assets, and it is maintained at levels similar to those of 2013. Company management has recognised provisions for all these contingencies based on the late payment period or doubtful debts.

Interest rate risk

Realia Business does not use hedges to manage its exposure to interest rate fluctuations.

The purpose of interest rate risk management is to achieve a balanced debt structure that makes it possible to minimise borrowing costs over a multi-year time horizon with reduced volatility in the statement of profit or loss. Based on a comparative analysis of the finance costs included in the business plan and yield curve trends, the Company opted not to hedge the interest rate risk to minimise borrowing costs over the aforementioned period.

Company management closely monitors the trends in interest rate curves for the coming years and does not rule out using interest rate hedges in the future.

Liquidity risk

The residential property market has deteriorated steadily since mid-2007. The decline in demand for housing together with excess supply and, above all, the international financial crisis, led to restrictions on borrowing and stricter conditions of access to it. This in turn has given rise to financial difficulties for the majority of companies in the sector.

During 2014 there were signs of improvement in the industry, although largely concentrated on increased demand for very well located products and the prime segment, as well as more fluid financing, above all to individual buyers or self-build development projects, with a continuation of restricted direct financing to property development companies.

In 2013 the Parent closed the refinancing of its syndicated bank borrowings amounting to EUR 791.8 million, and within that framework prepared a three-year business plan (ending in June 2016), verified by an independent valuer, that reflects sufficient liquidity for it to be executed successfully. At the end of 2014 the degree of compliance with respect to budgeted cash and cash equivalents was almost twenty times over that forecasted.

The main aggregates of the cash projections for 2015 of the consolidated Group, based on a minimum basis of recurring business, dividends and other payments received from services rendered to Group companies, excluding any extraordinary land- or asset-sale transactions, led to estimated collections of EUR 145.3 million which, together with estimated payments of EUR 114.6 million, gave rise to a positive net cash flow of EUR 30.7 million, which will be used to repay debt, together with the current cash position.

Foreign currency risk

A consequence of the Realia Business Group's positioning in the international markets is the exposure resulting from net positions in foreign currencies with respect to the euro or in one foreign currency with respect to another when the investment and financing of an activity cannot be arranged in the same currency.

In view of the Group's scant international activity in markets outside the eurozone, its exposure to foreign currency risk is scantly material.

Solvency risk

As at 31 December 2014, the Realia Business Group's net borrowings amounted to EUR 1,153.4 million, as shown in the following table:

Millions of Euros	2014
Gross bank borrowings	
Non-recourse bank borrowings	897.0
With-recourse bank borrowings	810.6
Participating loan (principal + interest)	60.0
Derivatives	-
Cash and cash equivalents	(617.5)
Interest	3.3
Net bank borrowings	**1,153.4**

The most relevant ratios for the purposes of measuring solvency are as follows:

	Consolidated
Debt ratio	
Net bank borrowings (1) / Asset market value (LTV)	57.9
Coverage ratio	
EBITDA/Financial loss (2)	1.12

(1) Includes financial bank borrowings granted to funds and excludes participating loans.

(2) Financial loss adjusted for PIK interest.

At 2014 year-end, the Group had positive working capital of EUR 722.9 million.

Concentration risk

This risk arises from the concentration of financing activities with common features such as:

- Sources of financing: the Realia Business Group obtains financing from 17 Spanish and foreign banks and 6 similar institutions, which mainly finance two syndicated loans.

- Markets/geographical area (Spanish, foreign): the Realia Business Group operates in Spanish and international markets and all of its debt is concentrated in euros.

- Products: the Realia Business Group has arranged a spectrum of financial products, including, inter alia, loans and syndicated transactions.

- Currency: the Realia Business Group manages its statements of profit or loss in a variety of currencies. Investments tend to be financed in the local currency whenever this is possible in the country of origin.

Financial derivatives designated as hedging instruments:

A financial derivative is a financial instrument or another type of contract whose value changes in response to changes in certain variables, such as an interest rate, financial instrument price, foreign exchange rate, credit rating or credit index or any other variable, which may be of a non-financial nature.

Apart from giving rise to gains or losses, financial derivatives may, under certain conditions, fully or partially offset foreign currency or interest rate risks or risks relating to the value associated with balances and transactions.

Hedging relationships are as follows:

- Fair value hedge. (FV)

- Cash flow hedge. (CF)

- Hedge of a net investment in a foreign operation.

Taking into account the introduction of IAS 39, Financial Instruments: Recognition and Measurement, in order to be considered a hedge. a financial derivative must meet the following requirements:

- Formal designation and documentation, at inception of the hedge, of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge.

- Documentation identifying the hedged item, the hedging instrument and the nature of the risk being hedged.

- Objective (analytical) evidence of the effectiveness of the hedge.

Objective and verifiable ex-post measurements.

At 31 December 2014, the Realia Business Group had not arranged interest rate hedges subsequent to their maturity in June 2014 (31 December 2013: EUR 892,240 thousand). These hedges were arranged mainly as interest swaps (IRSs) whereby the Group companies paid fixed rates and received floating rates. The detail of the cash flow hedges and of their fair value at 2013 year-end is as follows:

Fully consolidated companies	Thousands of Euros				
	Type of Derivative	Type of Hedge	Notional Amount at 31/12/13	Value at 31/12/13 (Note 20)	Maturity Date
Realia Patrimonio	IRS	CF	24,835	(566)	30/06/14
	IRS	CF	24,835	(566)	30/06/14
	IRS	CF	49,670	(1,088)	30/06/14
	IRS	CF	49,670	(1,088)	30/06/14
	IRS	CF	49,670	(1,131)	30/06/14
	IRS	CF	49,670	(1,131)	30/06/14
	IRS	CF	24,835	(559)	30/06/14
	IRS	CF	24,835	(559)	30/06/14
	IRS	CF	49,670	(1,131)	30/06/14
	IRS	CF	49,670	(1,131)	30/06/14
	IRS	CF	49,670	(1,116)	30/06/14
	IRS	CF	49,670	(1,116)	30/06/14
	IRS	CF	24,835	(559)	30/06/14
	IRS	CF	24,835	(559)	30/06/14
	IRS	CF	24,835	(558)	30/06/14
	IRS	CF	24,835	(558)	30/06/14
SIIC de Paris	IRS	CF	23,850	(543)	30/06/14
	IRS	CF	23,850	(543)	30/06/14
	IRS	CF	47,700	(1,045)	30/06/14
	IRS	CF	47,700	(1,045)	30/06/14
	IRS	CF	47,700	(1,087)	30/06/14
	IRS	CF	47,700	(1,087)	30/06/14
	IRS	CF	23,850	(537)	30/06/14
	IRS	CF	23,850	(537)	30/06/14
	IRS	CF	10,000	-	30/05/14
Total fully consolidated companies			**892,240**	**(19,846)**	

The changes in the fair value of cash flow hedges are taken, net of the tax effect, to reserves and are recognised in income for the year to the extent that the hedged item has an impact on the consolidated statement of profit or loss.

The financial derivatives were measured by experts on the subject using generally accepted methods and techniques. These experts were independent from the Group and the entities financing it.

Effectiveness tests on derivatives

Effectiveness tests are adapted to the type of hedge and the nature of the instruments used.

In cash flow hedges it is first verified that the critical terms of the hedging instrument and the hedged item – amounts, maturities, repayment, benchmarks, review dates, etc. – are all the same.

In the case of IRSs, in which the Realia Business Group receives a floating rate equal to that of the hedged borrowings and pays a fixed rate, since the objective is to reduce the variability of the borrowing costs, the effectiveness test estimates the changes in these annualised costs both in the original hedged borrowings and in the portfolio that combines these borrowings with the hedging instrument. A hedge is considered to be fully effective when it achieves a reduction of at least 80%-120% in the original changes in flows, i.e. when the instrument used reduces the variability of the flows by 80% to 120% or more. Otherwise, the derivative is classified as speculative and changes in its value are recognised in profit or loss.

Derivatives that do not qualify for hedge accounting.

Although certain hedging instruments are recognised as speculative, this is only for accounting purposes since for financial and management purposes all the hedges arranged by the Realia Business Group have, at inception, an underlying financial transaction and the sole purpose of hedging that transaction.

Derivatives do not qualify for hedge accounting if the hedge fails the effectiveness test, which requires the changes in the fair value or in the cash flows of the hedged item directly attributable to the hedged risk to be offset by changes in the fair value or in the cash flows of the hedging instrument. When this does not occur, the changes in value of the instruments classified as speculative are recognised in profit or loss together with the gain or loss on the transaction.

The Group did arrange any speculative derivative in 2014 or 2013.

Market risk

The current panorama of the property sector, which has seen an excess of supply over demand, meant that the price adjustments to the various property products continued in 2014, with the concomitant impact on the margins on these products. REALIA was not immune to these circumstances, although the price adjustments made in previous years softened the impact of market risk on its earnings. This trend is expected to slow down again in 2015, enabling prices and margins to begin to recover.

In these circumstances, Realia estimates that it must make every possible effort to generate value in the property management area, where its exceptional portfolio gives it an outstanding position; all without neglecting the potential to generate value which the residential property area can provide if activity and margins recover, as the ongoing depreciation of residential property and land make them very attractive investments.

This industry situation, with the subsequent falls in margins and valuations has a negative impact on the financial covenants which the Realia Group must achieve.

Legal and tax risk

The Group's activities are subject to tax, urban development and other legislation. The local, regional, Spanish and EU authorities may impose penalties for non-fulfilment of the aforementioned legislation. A change in this legal and tax environment could affect the general planning of the Group's activities. The Group monitors and analyses these changes through the relevant internal departments and, as appropriate, takes specific measures to deal with them.

Economic risks

The Group attempts to control these risks during acquisitions by carefully analysing the transactions, examining and anticipating problems that could arise in the future, and proposing possible solutions in this connection. In disposals the main risk is failing to collect the prices agreed upon in the agreements as a result of default by the purchasers. The Group attempts to control these risks by arranging guarantees of all types which allow, should the need arise, collection of the full price or the recovery of the property being sold.

Money laundering and financial crime risk

These risks are controlled through a prevention and control system implemented by the Group in accordance with the applicable legislation, together with the related manual which includes the internal rules related to these matters and a Control, Information and Communication Body which maintains relations with the Group's employees and the prevention services.

Personal data protection risk

These risks are controlled by special and standardised clauses included in agreements in different situations which, in accordance with the legislation governing this area, allow the Group to limit and even eliminate any type of liability for Realia Business, S.A. Also, the REALIA Group has databases registered with the Spanish Data Protection Agency, which have the necessary security mechanisms, and has a person in charge of this area.

Consumer and user protection risk

The Group complies with the requirements of the various state and autonomous community regulations regarding consumers and users. It has specific model contracts for autonomous communities which contain specific legislation in this connection. Also, the Group's policy is to respond to all claims that it might receive from public consumer organisations with a conciliatory and constructive stance.

In addition, REALIA Business, S.A. is equipped with a series of tools to ensure ethical behaviour. The most notable, in addition to the above-mentioned money laundering prevention tools, are as follows:

The internal code of conduct for matters relating to the securities markets was approved in April 2007 by REALIA's Board of Directors. The internal code of conduct defines the rules for conduct and actions which must be followed in relation to transactions and the treatment, use and dissemination of relevant information in order to promote transparency in the performance of business activities and the provision of adequate information and protection for investors. The code applies at the very least to the directors and executives of the REALIA Group, external advisers and the employees in the Stock Market and Investor Relations Departments.

The PRINEX system is a global business solution which combines the characteristics of universal business management software with the advantages of an ERP designed specifically for companies that operate in the property sector. It is intended to ensure ethical behaviour as it allows the commercial department to identify customers who have performed fraudulent transactions in the past and therefore to avoid transactions with them.

Despite the current market climate, it is strategic for Realia to continue pursuing the urban management of land in various areas which will create value for the land and for Realia itself, which will have an impact on the consolidated statement of profit or loss once normal market conditions are restored.

31. Events after the reporting period

At the date of authorisation for issue of these consolidated financial statements no events had occurred that might have a material effect thereon. However, it should be noted that on 5 and 6 February 2015 a significant event was communicated to the Spanish National Securities Market Commission by the reference shareholder, Fomento de Construcciones y Contratas, S.A., declaring its decision not to go ahead with the sale of its ownership interest as part of the asset divestment process, which is in line with fact that the capital increase performed in December 2014 allowed the Group to strengthen its equity and financial position and it is currently reviewing the investment and divestment plan.

32. Explanation added for translation to English

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see Note 2.1). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

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

REALIA BUSINESS, S.A. CONSOLIDATED DIRECTORS' REPORT FOR 2014

THE GROUP OF COMPANIES: ORGANISATIONAL STRUCTURE AND OPERATIONS:

Realia Business, S.A. is the head of a corporate group that carries on its activities directly or through shareholdings in various companies.

Business activities relate mainly to two lines of business:

a) PROPERTY MANAGEMENT: this activity is carried on through ownership interests in companies, normally subsidiaries of Realia Patrimonio S.L. (wholly owned by Realia Business).

The property management business is carried on in Spain, primarily with assets located in Madrid and Barcelona.

b) PROPERTY DEVELOPMENT AND LAND MANAGEMENT: this line of business is carried on either directly by Realia Business S.A. or through companies with ownership interests through which control is exercised or with significant ownership interests.

The property development business is carried on in Spain, Portugal, Poland and Romania. In Spain, activities are focused in the following geographical areas:

1) Madrid, Castilla-La Mancha and Castilla y León.
2) Catalonia
3) Valencia, Murcia and the Balearic Islands
4) Andalusia
5) Canary Islands

Activities abroad are carried on by wholly-owned subsidiaries (direct and indirect control) of Realia Business, S.A.

The Parent Realia Business S.A. is a company listed on the continuous market of Madrid, the most significant shareholders of which include the FCC Group, with an ownership interest of 36.89% and Corporación Industrial Bankia S.A.U. (Bankia Group), with an ownership interest of 24.95%.

Its organisational structure may be summarised as follows:

BOARD OF DIRECTORS: this is composed of ten directors and is advised by the Audit Committee and the Nomination and Remuneration Committee.

CHAIRMAN'S OFFICE: this reports directly to the Board of Directors of which it is also a member.

GENERAL MANAGEMENT: this reports directly to the Chairman and is also a member of the Board of Directors.

MANAGEMENT COMMITTEE: this reports to the general manager and is composed of Business, Planning, Investor Relations and Financial management.

The Development and Land Management business is managed daily on a joint basis by the head office in Madrid and by a territorial sales office in each geographical region where the Parent is present.

The control over the investments in the property management companies is managed through representation on, and involvement in, their decision-making bodies (Boards of Directors and Management Committees), and through control by the various central departments of Realia Business and Realia Patrimonio.

CHANGES IN THE EQUITY INVESTMENT PORTFOLIO:

The changes in "Non-Current Financial Assets" in 2014 were as follows:

Additions:

None

Disposals:

In January 2014, the UTE "Realia Business S.A. - Vallehermoso División Promoción S.A.U. UTE ley 18/1982" was dissolved and liquidated.

In February 2014 Mindaza S.L.U., of which Realia held all of the shares, was dissolved and liquidated.

In May 2014 Realia Zarea SRL, of which Realia directly and indirectly held all of the shares, was dissolved and liquidated.

In May 2014 a sales agreement was entered into in relation to the shares of SIIC de Paris with certain conditions precedent that were met in July 2014 and 58.96% of the shares of this company held by Realia Patrimonio S.L. were transferred. As a result thereof, all the assets and liabilities were reclassified to "Non-Current Assets Held for Sale" and "Liabilities Associated with Non-Current Assets Classified as Held for Sale", respectively. SIIC's profit amounting to EUR 1.9 million (EUR 4.2 million attributable to the shareholders of the Parent) was recognised in the consolidated statement of profit or loss under "Profit from Discontinued Operations".

In November 2014 the resolution to dissolve and liquidate the UTE "Realia Business S.A.- Acciona Inmobiliaria S.L.U" was executed in a public deed.

In November 2014 all of the shares (50%) of Setecampos held by Realia Patrimonio S.L. -over which there already existed a sales commitment with conditions precedent- were transferred.

Changes:

IFRS 11, Joint Arrangements, eliminates the option of proportionate consolidation for jointly controlled entities, which began to be accounted for using the equity method from 1 January 2014 onwards. The companies affected by this change are as follows:

- Setecampos Sociedade Inmobiliaria, Lda
- Studio Residencie Iberia, Investimentos Imobiliarios, S.A.
- As Cancelas Siglo XXI, S.L.
- Inversiones Inmobiliarias Rústicas y Urbanas 2000, S.L.

In June 2014 capital was increased at Willanow to restore its equity position. This increase was subscribed in full by the Parent Realia Business and, therefore, the ownership interest thereof increased to 51.65%, with the other 48.35% held by Realia Polska, which is also a wholly-owned investee of Realia Business, thereby signifying that the capital increase did not give rise to any change in the either the method or the percentage of consolidation.

In October 2014 the share capital was increased at the investee Guillena Golf S.L.U. in order to restore its equity position. This increase was subscribed in full by the Parent Realia Business and, therefore, there was no change in the either the method or the percentage of consolidation.

In October 2014 it was resolved to commence the liquidation of the Polish company Wilanow as a preliminary step in the process that will ultimately lead to its definitive dissolution.

BUSINESS EVOLUTION AND RESULTS -SIGNIFICANT AGGREGATES:

As indicated in the section on changes in and exclusions from the scope of consolidation, 2014 saw the exclusion of companies with a significant impact on the financial statements when comparing 2013 with 2014. For the purposes of a like-for-like analysis of the companies taken as a whole and in order to establish uniform changes, the statement of profit or loss and the statement of cash flows were adjusted as a result of the exclusion from consolidation of SIIC de Paris and Setecampos, and the various financial statements were adjusted due to the change in method arising from the application of IFRS 11.

After application of the aforementioned adjustments, the main aggregates and the changes therein at consolidated level were as follows (in millions of euros):

	Millions of Euros		
	2014	**2013**	**% Change**
INCOME	**115.4**	**111.3**	**3.7%**
Rent	78.6	79.9	-1.7%
Sale of assets (gain or loss)	0.0	0.7	-94.4%
Property developments	27.4	24.2	13.4%
Land	7.7	3.4	123.0%
Other-Property management	0.8	0.5	55.2%
Other-Property developments	0.9	2.5	-63.6%
GROSS PROFIT	**42.1**	**54.1**	**-22.2%**
Rent	54.7	55.5	-1.5%
Sale of assets (gain or loss) and other	0.2	0.7	-67.1%
Property developments	-8.1	-3.2	-155.4%
Land	-4.8	1.0	-566.7%
GENERAL EXPENSES	**-11.2**	**-13.7**	**18.6%**
Property management area	-4.4	-4.2	-4.0%
Property development area	-6.8	-9.5	28.5%
EBITDA	**30.9**	**40.3**	**-23.4%**
Property management area	50.5	52.0	-2.8%
Property development area	-19.6	-11.7	-68.3%
DEPRECIATION AND AMORTISATION CHARGE, WRITE-DOWNS, PROVISIONS AND OTHER	**-10.3**	**-61.8**	**83.4%**
Property management area	-15.2	-16.4	7.2%
Property development area	4.9	-45.5	110.7%
NET PROFIT FROM OPERATIONS	**20.6**	**-21.5**	**195.9%**
Property management area	35.4	35.7	-0.8%
Property development area	-14.8	-57.2	74.2%
NET FINANCIAL LOSS	**-39.7**	**-2.3**	**-1638.2%**
Property management area	-20.3	-37.2	45.5%
Property development area	-19.4	34.9	-155.5%
IMPAIRMENT OF INVESTMENT PROPERTY	**5.0**	**-2.5**	**301.2%**
Property management area	5.0	-2.6	290.6%
Property development area	0.0	0.1	89.9%
RESULT OF COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD	**-0.4**	**-0.9**	**55.5%**
Property management area	0.5	-0.6	181.2%
Property development area	-0.9	-0.2	-267.1%

PROFIT (LOSS) BEFORE TAX	**-14.4**	**-27.2**	**47.1%**
Property management area	20.7	-4.9	525.2%
Property development area	-35.0	-22.3	-56.9%
INCOME TAX	**-23.8**	**-0.8**	**-2781.4%**
Property management area	-5.4	0.7	-855.1%
Property development area	-18.4	-1.5	-1087.8%
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**-38.2**	**-28.0**	**-36.3%**
Property management area	15.2	-4.1	467.8%
Property development area	-53.4	-23.9	-123.7%
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	**1.8**	**6.8**	**-73.4%**
Property management area	1.8	6.8	-73.4%
Property development area	0.0	0.0	0.0%
PROFIT (LOSS) FOR THE YEAR	**-36.4**	**-21.2**	**-71.4%**
Property management area	17.0	2.6	543.0%
Property development area	-53.4	-23.9	-123.7%
PROFIT (LOSS) AFTER TAX ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**-3.2**	**29.8**	**-110.8%**
Property management area	-3.2	8.6	-137.2%
Property development area	0.0	21.2	-100.2%
PROFIT (LOSS) AFTER TAX ATTRIBUTABLE TO THE PARENT	**-39.6**	**-51.0**	**22.4%**
Property management area	13.8	-4.8	385.9%
Property development area	-53.4	-46.2	-15.7%

Following is an analysis of the main components of the foregoing table:

Income:

Income increased by 3.7% with respect to the adjusted figure for 2013, and is due mainly to a slight 1.7% fall in rental income and an improvement in the number of housing units delivered (13.4%) accompanied by the sale of the land of Wilanow (Poland)

In this regard, we can clarify that income from deliveries of property developments improved due to the maintenance of the discounts from previous years, and at certain developments such discounts have even decreased; and also in the first three quarters of the year, the pace of sales accelerated, although in the last quarter it entered a new period of stagnation.

Leases saw a 1.7% decrease in average rental income per square metre focused mainly on shopping centres, where there is an evident decline in consumption that has an adverse effect on variable income, requiring greater support for traders.

Gross profit:

Gross profit amounted to EUR 42.1 million, down by 22.2% on 2013 as a result of the following:

a) The profit from rents fell by around 1.5% in line with income.

b) The profit on deliveries of property units in the property development area was adversely affected due to units having been delivered for which impairment losses had been recognised in prior years, although this impairment appears in this cost accounting statement as a positive change.

c) The sale of the land of Willanow (Poland) also adversely affected profit, because although the impairment losses had already been recognised thereon, in this cost accounting statement the impairment appears as a positive change.

General expenses:

The ongoing policy of non-operating expense containment and elimination implemented by the Group over several years is reflected in 2014 in the 18.6% reduction in general expenses with respect to the adjusted figure for 2013. The greatest contribution was made at the Parent, Realia Business, which encompasses central services and the property development area.

Ebitda:

EBITDA amounted to EUR 30.9 million, down 23.4 % on 2013 (adjusted). This reduction in EBITDA was due to the greater impact of the deliveries of units for which impairment losses had been recognised in prior years and for which profit is linked to changes in impairment, as can be seen in the line item "Depreciation and Amortisation Charge, Write-Downs, Provisions and Other".

Depreciation and amortisation charge, write-downs and provisions:

The depreciation and amortisation charge remained stable in 2014, reaching an amount of EUR 15.5 million, because the acquisition of the building at c/Goya 29 by Hnos. Revilla took place in December 2014 and did not have any influence thereon.

Also, inventory write-downs and other operating provisions (litigation, doubtful debts, etc.) had a positive impact of EUR 5.2 million in 2014. The detail is as follows:

a) Inventory write write-downs had a positive impact of EUR 3.3 million as a result of the new ECO appraisals carried out by an independent valuer at December 2014, which can be summarised as:

New Write-downs of Land	EUR -6.1 million
Reversal of the Write-downs of Land of Wilanow	EUR 4.6 million
Reversal of Write-downs Due to Sale of a Completed Development	EUR 4.8 million

The new write-downs recognised led to an average decrease of approximately 3.1% in the value of the land.
All of Realia's assets are recognised at historical cost and were not revalued for mergers or marked to market, and the measurement aims to adjust the values to the most restrictive asset measurement criteria.

b) In addition, in 2014 the Company reversed provisions for litigation, allowances for doubtful debts and provisions for other risks of a commercial nature, which had a positive impact of EUR 1.9 million on the consolidated statement of profit or loss. This adjustment was due basically to the detailed analysis of the risks to which the company may be exposed resulting from all the "after-sales service" lawsuits or lawsuits brought by local authorities in relation to the payment of fees and local taxes.

Net profit/loss from operations:

The net profit from operations of EUR 20.6 million increased considerably compared to the EUR 21.5 million loss in 2013 (adjusted). This increase is due to the significant inventory write-downs recognised in 2013 and other operating provisions, which have become less severe over time.

Net financial loss:

The Group's net bank borrowings and similar borrowings (bank borrowings assigned to other non-bank entities) fell by EUR 1,012.4 million in 2014 to EUR 1,096.9 million, excluding loan arrangement costs. This notable decrease was due primarily to the sale of SIIC de Paris, which had a dual effect, on the one hand, an inflow of EUR 544.4 million resulting from the sale and, on the other, the non-recognition of this company's net financial debt amounting to EUR 478.7 million in the consolidated financial statements.

The Group's net financial loss was EUR 39.7 million compared to the EUR 2.3 million loss in 2013 (adjusted). This significant difference was due to two reasons:

1) One positive, which was the decrease in debt and maintenance of lower interest rates. In addition to the expiry on 30 June 2014 of all the interest rate hedges arranged by the Group which had a considerable detrimental effect on finance costs.

2) And the other negative, because in 2013 (adjusted), EUR 17.1 million was recognised in the financial loss for the reduction effected on the debt payable to an entity in the syndicate of Realia Business S.A., and the proceeds from the liquidation of the investee Noralia, which amounted to EUR 40.6 million.

Neutralising these two exceptional transactions, the net financial loss for 2013 (adjusted) would have been EUR 60.0 million, which is 33.8% higher than in 2014.

In April 2007 the syndicated loan of Realia Patrimonio for an overall amount of EUR 1,087 million was arranged, maturing in 2017. The outstanding balance thereof at 2014 year-end was EUR 838.3 million.

In September 2009 Realia Business restructured all of its bank borrowings in the property development area with a limit of EUR 1,001.1 million. The restructuring was carried out through the company's banking pool and by arranging a syndicated loan. Following several novation agreements relating to the aforementioned borrowings, on 26 July 2013, a novation agreement was entered into with conditions precedent which, once they were met and following the report by the independent expert appointed by the Madrid Mercantile Registry, on 27 September 2013, the refinancing agreement entered into on 26 July 2013 came into force between Realia Business and the banking pool composed of SAREB, BBVA, Santander, Caixa and Sabadell, for a total amount of EUR 791.8 million. Barclays and Kutxabank left the aforementioned pool.

The fundamental parameters of the executed transaction are as follows:

a) Maturity Date: 30 June 2016
b) Interest Rate: Euribor (1 month, 3 months or 6 months) + 50 b.p.
c) PIK Margin: 150 b.p. capitalised each year.
d) Obligatory repayment: Total of EUR 13.8 million in periods from June 2014 to December 2015. Remainder of loan at 30 June 2016.
e) Early repayment: 60% of the net income from unmortgaged asset sales and 100 % in the case of mortgaged assets.
f) Obligatory early repayment in the event of capitalisation or investment in Realia Business or divestment from Realia Patrimonio.
g) Guarantee of all of the shares of Realia Patrimonio with a limit of 95% of the dividend rights.

At 2014 year-end, Realia had already repaid EUR 12.2 million of the syndicated loan. This represents a degree of compliance of 154.4% of the amount guaranteed to be repaid at that date and 88.4% of the total to be repaid at 31 December 2015.

The participating loan that the company arranged in 2009 with Bankia (currently assigned to Sareb), amounting to EUR 60.0 million at 31 December 2014, provides for the agreed-upon possibility of being converted into share capital in February 2016 at a minimum price of EUR 1.92 per share, or conversely, after the syndicate loan matures, it must be paid with the established reduction.

Impairment of investment property:

In this connection, EUR 5.0 million of impairment losses on investment property were reversed in order to adjust the carrying amounts of the assets for which impairment had been recognised to the market values disclosed in the report of the independent valuer that had valued them, basically using RICS methods. Most of the Group's investment property is carried at acquisition cost, and were not revalued for mergers or marked to market.

Attributable net profit/loss:

After the tax effect, the Group reported an attributable net loss of EUR 39.6 million, compared with the EUR 51 million loss in 2013. This lower net loss was due primarily to three factors:

1) A decrease in the recognition of net impairment losses on assets that had a positive effect on the profit from operations.

2) The adjustment of tax assets, as a result of the adaptation to the 25% rate provided for in the tax reform approved in December 2014, which had a negative effect on the loss after tax.

3) The absence in 2014 of the extraordinary transactions in relation to financial loss that were discussed in the aforementioned section.

In keeping with its prudent stance, since 2012 the Realia tax group has ceased to recognise tax assets. In 2014 the amount of unrecognised tax assets was EUR 10.0 million, despite their long recoverability period. The tax group has unrecognised tax assets totalling EUR 64.7 million.

Asset and portfolio information:

The changes in value of assets and of the pre-sales portfolio relating to property development activities are as follows:

Property management area

	2014	2013 (1)	% Change
Buildings in operation (m^2)	418,856	413,795	1.2%
Buildings in the course of construction (m^2)	-	-	-
Total buildings in operation and in the course of construction (m^2)	**418,856**	**413,795**	**1.2%**
% occupancy, buildings in operation	**90.5%**	**90.7%**	
Land reserve (m^2)	**123,744**	**123,744**	**0.0%**

(1)The data for 2013 are adjusted for the sale of the entire ownership interest in SIIIC de Paris, the gross leasable area of which was 150,235 m^2, and that of Setecampos, with a gross leasable area of 4,387 m^2. Adjusting these two sales in 2013 data, the surface area in operation increased by 5,061 m^2 (1.2 %), due to the acquisition of the building located at Goya 29 (Madrid).

Property development area

Period pre-sales	2014	2013	% Change
In millions of euros	29.4	23.9	23.0
In units	133	135	-1.5

The rate of pre-sales in units remained stable with respect to 2013, whereas in amount they increased by 23% due to the sale of the land of Wilanow (Poland) which amounted to EUR 7.65 million.

Gross pre-sales for the period were 144 units amounting to EUR 23.8 million, excluding the sale of the land of Wilanow.

The property unit pre-sales portfolio at 2014 year-end amounted to EUR 3.5 million, corresponding to 19 property units. The land reserve amounts to 1.9 million buildable m^2.

Financial position:

The net bank borrowings and similar borrowings (bank borrowings assigned to other non-bank entities), including the related accrued interest at 2014 year-end, is as follows (in millions of euros):

	2014	2013	
Syndicated loan - Property development area	791.6	786.0	Maturity 30/06/16
Syndicated loan - Realia Patrimonio	838.3	846.6	Maturity 27/04/17
Syndicated loan - SIIC Paris	-	464.8	Maturity 27/04/17
Transferable mortgage loans	61.2	77.8	Average maturity: 6 years
Bilateral loans	20.0	50.7	Average maturity: 1 year
Interest	3.3	5.4	
Loan arrangement expenses	-3.5	-7.2	
	1,710.9	**2,224.1**	
Cash and cash equivalents	**-617.5**	**-122.0**	
TOTAL NET BANK BORROWINGS	**1,093.4**	**2,102.1**	

The significant reduction in net bank borrowings was due mainly to the sale of the investee SIIC de Paris, which contributed EUR 544.4 million of cash, after payment of the related dividends, and the exclusion from the consolidated financial statements of all its net financial debt at 30 June 2014 amounting to EUR 478.7 million.

These net bank borrowings do not include the participating loan amounting to EUR 60.0 million granted by Bankia, currently assigned to SAREB.

As regards the hedging of its gross debt, the Realia Group has not hedged any interest rate risk using hedging instruments, since those in place at 31 December 2013 expired in June 2014.

Valuation of assets:

The assets attributed to Realia Business S.A., were appraised by independent valuers in accordance with Ministry of Economy Order ECO/805/2003 as amended by Ministry of Economy and Finance Orders EHA/3011/2007 and EHA/564/2008. The valuation of assets allocated to the property management area (rental of offices, shopping centres and other assets) was also conducted by independent valuers in accordance with the standards issued by the RICS.

The values shown for 2013 were adjusted for the exclusion of the investees SIIC de Paris amounting to EUR 1,587.5 million and Setecampos amounting to EUR 2.1 million, which may be summarised as:

Millions of Euros	2014	2013
Valuation of non-current assets	1,418.8	1,383.0
Valuation of inventories	470.7	524.8
GROSS ASSET VALUE	**1,889.5**	**1,907.8**

The decrease in the value of property development and land assets was due mainly to three factors:

a) Sales of completed construction work and land.

b) A decrease in valuations (ECO methodology) of land arising from the market situation and which, in like for like terms, involved a decrease of approximately 3.1%.

There was healthy demand for the assets earmarked for lease in Spain due to the positive current of investment that was evident in major purchase and sale transactions. These transactions had a positive influence as a reference for the value of the other assets. On a like-for-like basis, the Realia Group's portfolio saw an increase of EUR 7.0 in value, equal to 0.5%.

Based on these values and the Realia Group's net bank borrowings, the LTV ratio was low at around 58.0%, although if we refer solely to the LTV ratio of the property management area it stands at 26.3%.

Equity:

The equity attributable to the Parent of the Realia Group at 2014 year-end amounted to EUR 165.2 million, down EUR 25.9 million on 2013. The changes in 2014 were as follows:

Equity of the Parent at 31/12/13	**191.1**	**EUR million**
2014 loss	(39.6)	
Hedges	13.1	
Treasury share transactions	0.5	
Other adjustments	0.1	
Equity of the Parent at 31/12/14	**165.2**	**EUR million**

Based on the valuation performed by independent valuers at 31/12/14, the market value of the assets (GAV) amounted to EUR 1,889.5 million. Therefore, on the basis of the related carrying amounts, the gains attributable to the Parent, after deducting the related taxes, totalled EUR 301.6 million, which, together with Realia's equity and other minor adjustments, gives a NAV after tax of EUR 472.9 million and a NAV (after tax) per share of EUR 1.54, after deducting treasury shares.

In net terms the NAV of the assets amounted to EUR 1,849.9 million which, compared to the related carrying amounts thereof, discloses gains attributable to the Parent totalling EUR 277.9 million, which, together with Realia's equity and other minor adjustments, gives a NNAV after tax of EUR 449.3 million and a NNAV (after tax) per share of EUR 1.46, after deducting treasury shares.

Human resources:

Of the various Group companies, only the Parent Realia Business and Realia Patrimonio, Hermanos Revilla and Realia Polska have employees, the total headcount being 99. At 31 December, the detail of employees was as follows:

	Headcount	Temporary Employees
Realia Business	48	1
Realia Patrimonio	4	
Hnos Revilla (1)	45	
Realia Polska	1	
TOTAL	98	1

(1) Includes 33 employees assigned to building caretaker services.

In 2014 the headcounts remained stable at the various companies, with minimal downward changes with respect to 2013.

Stock market data:

The stock market parameters in 2014 and the changes therein were as follows:

Share price at 2013 year-end (EUR/share)	0.83
Share price at 2014 year-end (EUR/share)	0.51
Change in share price (%)	-38.6%
Market capitalisation at 2014 year-end (millions of euros)	359,623,990
Highest share price in 2014	1.64
Lowest share price in 2014	0.51
Average effective daily volume of trading (millions of euros)	1,837,337
Average daily volume of trading (shares)	1,619,929

At 2014 year-end, Realia held 610,000 treasury shares representing 0.20 % of total share capital with an average par value of EUR 1.106 per share.

Presentation of a takeover bid

On 17 December 2014, the prospectus of a takeover bid by HISPANIA was submitted for approval by the Spanish National Securities Market Commission (CNMV) and at the time of preparation of these financial statements it had not been approved by the Regulator.

The main features are:

1) Price EUR 0.49/share, equal to a valuation of Realia in the range of EUR 150 million.

2) Acceptance of at least 55% of the share capital.

3) Existence of an agreement with Realia's financial creditors for Hispania to acquire 50% of the loan of Realia Business, for approximately EUR 313 million, subject to the success of the bid and its subsequent capitalisation.

4) Launch of a capital increase of approximately EUR 800 million in order to repay in full the syndicated loan of Realia Business (subject to the success of the bid).

Financial risk management objectives and policies:

The main principles defined by the Realia Business Group when establishing its policy for the management of the principal risks are as follows:

- Compliance with all the Group's rules.
- Establishment by the businesses and corporate areas, for each market in which they operate, of the level of risk that they are prepared to assume, on a basis consistent with the strategy defined.
- Establishment by the businesses and corporate areas of the risk management controls required to ensure that the transactions performed in the markets comply with the Group's policies, rules and procedures. The following should be noted in connection with credit, interest rate, liquidity and foreign currency risk:

The Company has a risk map in which the procedures that may give rise to these risks within its organisation are analysed and quantified, and measures are taken to prevent them.

The most significant financial risks are:

Credit risk

The Group engages mainly in property development, the sale of land and the lease of property assets. Property development does not entail any credit risk since payment is automatically received on delivery of the asset. With regard to the sale of land, it is normal practice to allow customers certain payment deferrals. Unsecured commercial loans for land sales currently amount to EUR 14.3 million, which the Parent wrote down due to the related risk, estimated at EUR 8.9 million. Lastly, there is no material risk with regard to the lease of property assets, and it is maintained at levels similar to those of 2013. Company management has recognised provisions for all these contingencies based on the late payment period or doubtful debts.

Interest rate risk

Realia Business does not use hedges to manage its exposure to interest rate fluctuations.

The purpose of interest rate risk management is to achieve a balanced debt structure that makes it possible to minimise borrowing costs over a multi-year time horizon with reduced volatility in the statement of profit or loss. Based on a comparative analysis of the finance cost included in the Business Plan and yield curve trends, the Company opted not to hedge the interest rate risk in order to minimise the borrowing costs over the aforementioned period.

Company management closely monitors the yield curve trends for the coming years and does not rule out arranging interest rate hedges in the future.

Liquidity risk

The residential property market has deteriorated steadily since mid-2007. The decline in demand for housing together with excess supply and, above all, the international financial crisis, led to restrictions on borrowing and stricter conditions of access to it. This in turn has given rise to financial difficulties for the majority of companies in the sector.

During 2014 there were signs of improvement in the industry, although largely concentrated on increased demand for very well located products and the prime segment, as well as more fluid financing, above all to individual buyers or self-build development projects, with a continuation of restricted direct financing to property development companies.

In 2013 the Parent closed the refinancing of its syndicated bank borrowings amounting to EUR 791.8 million, and within that framework prepared a three-year business plan (ending in June 2016), verified by an independent valuer, that reflects sufficient liquidity for it to be executed successfully. At the end of 2014 the degree of compliance with respect to budgeted cash and cash equivalents was close to twenty times over that forecast.

The main aggregates of the cash projections of the consolidated Group for 2015, based on a minimum basis of recurring business, dividends and other payments received from services rendered to Group companies, excluding any extraordinary land- or asset-sale transactions, led to estimated collections of EUR 145.3 million which, together with estimated payments of EUR 114.6 million, gave rise to a positive net cash flow of EUR 30.7 million that will be used to repay debt, together with the current cash position.

Solvency risk

At 31 December 2014, the Realia Business Group's net borrowings amounted to EUR 1,153.4 million, as shown in the following table:

Millions of Euros	2014
Gross bank borrowings	
Non-recourse bank borrowings	897.0
With-recourse bank borrowings	810.6
Participating loan (principal + interest)	60.0
Derivatives	-
Cash and cash equivalents	(617.5)
Interest	3.3
Net bank borrowings	**1,153.4**

The most relevant ratios for the purposes of measuring solvency are as follows:

	Consolidated
Debt ratio	
Netbank borrowings (1)/Asset market value (LTV)	57.9
Coverage ratio	
EBITDA/Financial loss (2)	1.12

(1) Includes bank borrowings granted to funds and excludes participating loans.

(2) Financial loss adjusted for PIK interest.

At 2014 year-end, the Group had positive working capital of EUR 722.9 million.

Foreign currency risk

A consequence of the Realia Business Group's positioning in the international markets is the exposure resulting from net positions in foreign currencies with respect to the euro or in one foreign currency with respect to another when the investment and financing of an activity cannot be arranged in the same currency.

In view of the Group's scant international activity in markets outside the eurozone, its exposure to foreign currency risk is scantly material.

Other risks:

Market risk: the current panorama of the property sector, which has seen an excess of supply over demand, meant that the price adjustments to the various property products continued in 2014, with the concomitant impact on the margins on these products. REALIA was not immune to these circumstances, although the price adjustments made in previous years softened the impact of market risk on its earnings. It is expected that this trend will once again be slowed down in 2015, enabling prices and margins to begin to recover.

In these circumstances, Realia estimates that it must make every possible effort to generate value in the property management area, where its exceptional portfolio gives it an outstanding position; all without neglecting the potential to generate value which the residential property area can provide if activity and margins recover, as the ongoing depreciation of residential property and land make them very attractive investments.

This industry situation, with the subsequent falls in margins and valuations has a negative impact on the financial covenants which the Realia Group must achieve.

Research and development:

The production activities of the Realia Business Group are carried out in areas in which investment in research and development is very limited and the Company did not make any investment in these areas.

OUTLOOK FOR 2015

Following the initial announcement made by Realia Business's two majority shareholders to sell their shares - FCC subsequently detailing in a Significant Event that the aforementioned sale is not considered to form part of a process to sell its assets- together with the search for financial injections in order to meet the payment obligations included in the syndicated loan agreement before 30 June 2016 and the presentation of the aforementioned takeover bid prospectus, means that there will foreseeably be a change in the shareholder structure in 2015 that might influence the strategy of the Parent and its Group companies. However, based on the equity, financial and shareholder position at 2014 year-end, the business outlook is focused on:

Property development area:

For 2015 it is estimated that the market climate for land and residential property will be less adversely affected than in preceding years and there is even mention, not only of stabilisation, but that the first signs of recovery may also start to be seen if lending for home buying continues to open up and financing is made available for land purchase and property development.

In 2015 Realia will continue to sell its approximately 650 completed housing units and will not foreseeably commence any new developments until the market is capable of giving visibility to new developments without taking on any important financial risks.

As already mentioned in this consolidated directors' report, the ongoing depreciation of land assets has positioned these assets at very attractive values, thus enabling them to create value for the Parent. Therefore, despite the market climate, it is strategic for Realia to continue pursuing the urban development management of land in various areas since it will have a positive impact on the consolidated statement of profit or loss once normal market conditions resume.

Property management area:

Realia Business carries on its property management activities through the Realia Patrimonio subgroup (wholly owned by Realia Business). In 2014 all of the ownership interest held by Realia Patrimonio in SIIC de Paris was sold, which gave rise to:

1) Cash of EUR 544.4 million after distributing dividends.

2) Reduction of bank borrowings by EUR 1,023.1 million.

3) A consolidated gain on the sale attributable to the Parent of EUR 4.2 million. There was also the sale of the shares (50%) held by Realia Patrimonio of the property management company Setecampos, which in turn owned a small shopping centre in Lisbon, which gave rise to income of EUR 2.5 million and a consolidated gain on the sale of EUR 0.09 million.

As a result of all these sales the gross above-grade level leasable area was 418,856 m^2 and the LTV of this property management area was at an all-time low of 26.3%.

The primary objective of the Group for 2015 is the reinvestment of the cash earned from the aforementioned sales based on two basic assumptions:

Quality assets in similar locations to the assets in the current portfolio.

a) Maintain an LTV that enhances its potential for future refinancing.

2014 saw a boom in the investment market and asset turnover, with highly attractive yields that have acted as a fillip to the industry. As regards the assets in use, the fall in rentals and occupancy rates was seen to decelerate.

The nature of the assets owned by the Realia Group, i.e. most of the office buildings are located in prime areas and all of its shopping centres are located within metropolitan areas, permitted Realia, as in prior years, to continue to enjoy high occupancy rates (90.5% compared to 90.7% in 2013).

Despite the market shrinkage, the Realia Group will continue to rotate rental assets which it considers have reached their maturity in creating value for shareholders and which contribute to the Group's profit, and it will continue studying possible investments which may contribute profitability and value to the Group.

Appendix I

					Thousands of Euros			
						Investee Data (100%)		
	Registered Office	Owner	Line of Business	Effective Percentage of Ownership	Net Cost of the Ownership Interest	Share Capital	Reserves and Profit (Loss) (e)	Profit (Loss) before Tax
Fully consolidated companies:								
Portfolio de G.A.C., S.A.U.	Pº de la Castellana, 216 (Madrid)	Realia Patrimonio	Lease	100.00%	33,592	19,100	7,474	1,195
Realia Business Portugal, Unipessoal, Lda.	Avda. da Liberdade, 249 (Lisbon)	Realia Business	Property	100.00%	2,031	250	1,777	-410
Valaise, S.L.U.	Pº de la Castellana, 216 (Madrid)	Realia Business	Services	100.00%	10	10	8	-7
Realia Polska Inwestycje, Sp Zoo (b)	Ul, Pulawska, 182 (Varsovia)	Realia Business	Property	100.00%	575	4,463	-4,414	-89
Wilanow Realia, Sp Zoo (c)	Ul, Pulawska, 182 (Warsaw)	Realia Business	Property	51.65%	45	8,737	-8,650	-302
Wilanow Realia, Sp Zoo (c)	Ul, Pulawska, 182 (Warsaw)	Realia Polska	Property	48.35%	0	8,737	-8,650	-302
Planigesa, S.A. (a)	Pº de la Castellana, 216 (Madrid)	Realia Patrimonio	Lease	76.00%	44,564	46,878	32,456	4,258
Fomento Inmobiliario Levantino, S.L.	Pº de la Castellana, 216 (Madrid)	Realia Business	Property	51.00%	242	699	-225	11
Servicios Índice, S.A.	Pº de la Castellana, 216 (Madrid)	Realia Business	Property	50.50%	6,498	8,000	2,731	-77
Retingle, S.L.	Pº de la Castellana, 216 (Madrid)	Realia Business	Property	50.10%	10,762	21,481	1,360	599
Hermanos Revilla, S.A. (a)	Pº de la Castellana, 41 (Madrid)	Planigesa	Lease	51.00%	57,600	54,881	171,112	16,725
Hermanos Revilla, S.A. (a)	Pº de la Castellana, 41 (Madrid)	Realia Patrimonio	Lease	10.04%	40,060	54,881	171,112	16,725
Hermanos Revilla, S.A. (a)	Pº de la Castellana, 41 (Madrid)	Boane	Lease	4.76%	8,414	54,881	171,112	16,725
Boane 2003, S.A.U. (a)	Pº de la Castellana, 41 (Madrid)	Hermanos Revilla	Lease	100.00%	13,913	7,961	727	405
Realia Patrimonio, S.L.U.	Pº de la Castellana, 216 (Madrid)	Realia Business	Lease	100.00%	552,960	100,000	425,438	-80,644
Realia Contesti, S.R.L (d)	Candiano Popescu, 63 (Bucharest)	Realia Business	Property	100%	4,261	3,997	118	-228
Guillena Golf, S.L.U.	Pº Castellana 216 (Madrid)	Realia Business	Provision of services	100.00%	132	372	-240	-472

(a) Companies belonging to the Planigesa subgroup.

(b) The share capital of Realia Polska Inwestycje, Sp. Zo.o. amounts to PLN 19,281 thousand. The figure shown in the table is the result of the translation to euros at the exchange rate prevailing on the date of the contribution.

(c) The share capital of Willanow Realia Inwestycje, Sp. Zo.o. amounts to PLN 36,400 thousand. The figure shown in the table is the result of the translation to euros at the exchange rate prevailing on the date of the contribution.

(d) The share capital of Realia Contesti, S.R.L. amounts to RON 15,428 thousand. The figure shown in the table is the result of the translation to euros at the exchange rate prevailing on the date of the contribution.

(e) Including profit (loss) for 2014.

Appendix II

						Thousands of Euros		
						Investee Data (100%)		
	Registered Office	Owner	Line of Business	Effective Percentage of Ownership	Net Cost of the Ownership Interest	Share Capital	Reserves and Profit (Loss)	Profit (Loss) before tax
Companies accounted for using the equity method:								
Studio Residence Iberia Investimentos Imob., S.A.	R. de Meladas, 380 (Molezos- Sta. Mª de Feira- Portugal)	Realia Business Portugal	Property	50.00%	25	50	112	-30
Inversiones Inmob. Rústicas y Urbanas 2000, S.L.	Cl. Ayala, 3 Madrid	Realia Business	Property	33.36%	14,786	20	34,784	-126
As Cancelas Siglo XXI, S.L.	Pº Castellana, 216 (Madrid)	Portfolio de G.A.C., S.A.U.	Lease	50.00%	22,176	900	45,844	1,522
Desarrollo Urbanístico Sevilla Este, S.L. (f)	Avda. San Fco. Javier, 20 (Seville)	Realia Business, S.A.	Property	30.52%	0	2,228	-28,699	-12,598
Ronda Norte Denia, S.L.	Pº Alameda, 34 - Valencia	Realia Business, S.A.	Property	32.63%	143	475	-36	0

(f) The Company has participating loans amounting to EUR 17,246 thousand, in order to meet the covenants regarding the equity imbalance.

Appendix III

	Percentage of Ownership	Thousands of Euros Total Revenue	Company in Which It Is Consolidated
Joint property entities			
Residencial Turo del Mar, C.B.	50.00%	2,825	Realia Business, S.A.

APPENDIX IV

INFORMATION ON PUBLIC SCOPE OF CONSOLIDATION OF BFA GROUP - DECEMBER 2014

Employer Identification Number	Company	% BFA GROUP
REAL ESTATE COMPANIES		
B84823004	ACINELAV INVERSIONES 2006, S.L.	15,80
B64059249	ADAMAR SECTORS, S.L.	51,01
B85976512	ALIANCIA INVERSIÓN EN INMUEBLES DOS, S.L.	46,19
B85745099	ALIANCIA ZERO, S.L.	37,16
B97966949	ALIANZA LOGISTICA MAFORT-HABITAT S.L.	31,10
B60829207	ALTAFULLA LIFE RESORTS, S.L.	31,10
B97095038	ANSOGASA, S.L.	84,00
B12734893	ASSETS FOUND, S.L.	31,10
N0033519J	BAJA CALIFORNIA INVESTMENTS, B.V.	24,88
B46644290	BANKIA HABITAT, S.L.U.	62,21
A58599929	BENETESA, S.A.	12,44
B96868773	CAMI LA MAR DE SAGUNTO, S.L.	62,21
B26347344	CENTRO SOCIO SANITARIO DE LOGROÑO, S.L.	31,10
B83622134	COBIMANSA PROMOCIONES INMOBILIARIAS, S.L.	62,21
B84140052	COMTAL ESTRUC, S.L.	19,60
A12102703	COSTA BELLVER, S.A.	28,86
B98037716	COSTA EBORIS, S.L.U.	62,21
B97872634	COSTA VERDE HABITAT, S.L.	31,10
B10272011	CREACION SUELO E INFRAESTRUCTURAS, S.L.	15,55
B84629351	CSJ DESARROLLOS RESIDENCIALES, S.L.	31,10
B84681758	DESARROLLOS INMOBILIARIOS CAMPOTEJAR, S.L.	31,10
B84176411	DESARROLLOS URBANISTICOS VALDEAVERUELO, S.L.	23,33
US000861109	EMERALD PLACE LLC	47,71
B92384221	ENCINA LOS MONTEROS, S.L.U.	62,21
B97924211	ESPAI COMERCIAL VILA REAL,S.L.	58,89
PL001093402	EUROMIESZKANIA SPÒLKA Z OGRANIEZONA ODOPOWIEDZIALNOSCIA	100,00
A19204544	EUROPEA DE DESARROLLOS URBANOS, S.A.	12,44
B97657522	FERULEN, S.L.	18,66
B97679047	FIBEL 2005, S.L.	20,74
B26467167	FINCAS Y GESTIÓN INMOBILIARIA 26001, S.L.U.	62,21
B97815591	FROZEN ASSETS, S.L.	26,10
B97874846	GEBER URBANA, S.L.	31,10
PT000998565	GEOPORTUGAL - IMOBILIARIA, LDA.	62,21
B83815035	GESTORA DE SUELO DE LEVANTE, S.L.	41,47
B98073117	HABITAT DOS MIL DIECIOCHO, S.L.	32,54
B14599377	HABITAT RESORTS, S.L.U.	62,21
US000861076	HABITAT USA CORPORATION	62,21
27629732	IAF CHEQUIA S.R.O.	18,66
DE000971971	IB INVESTMENTS GMBH	58,78
B64029085	INICIATIVAS GESTIOMAT, S.L.	35,55
B84039460	INMOVEMU, S.L.	62,21
A05168646	INVERÁVILA S.A.U.	62,21
B73630089	INVERSIONES EN RESORTS MEDITERRANEOS, S.L.	26,48
B84068287	INVERSIONES Y DESARROLLOS 2069 MADRID, S.L.U.	62,21
B63843536	JARDI RESIDENCIAL LA GARRIGA, S.L.	31,73
A57062580	JUVIGOLF, S.A.	31,10
B84565944	LEADERMAN INVESTMENT GROUP, S.L.	31,10
B64059280	MACLA 2005, S.L.	32,80
B97278857	MARENYS, S.L.	66,67

INFORMATION ON PUBLIC SCOPE OF CONSOLIDATION OF BFA GROUP - DECEMBER 2014

Employer Identification Number	Company	% BFA GROUP
B97105068	MASIA DEL MONTE SANO, S.L.	66,67
B10338077	MEGO INVERSIONES, S.L.	31,10
B84827682	NAVICOAS ASTURIAS, S.L.	59,10
B98406168	NEWCOVAL, S.L.	31,10
B97296123	NOVA PANORÁMICA, S.L.	31,10
B98148273	NUEVAS ACTIVIDADES URBANAS, S.L.	30,24
B01360189	NUMZAAN, S.L.	8,79
B92384247	OCIO LOS MONTEROS, S.L.U.	62,21
B64243678	OLESA BLAVA, S.L.	18,08
NL001064835	ORCHID INVESTMENT, B.V.	28,55
B96998828	PARQUE CENTRAL AGENTE URBANIZADOR, S.L.	17,38
B82691064	PINAR HABITAT, S.L.	31,10
B82691023	PINARGES, S.L.	31,10
N0033087H	PORTUNA INVESTMENT, B.V.	24,88
A84443035	PRISOLES MEDITERRANEO, S.A.	23,33
B09482340	PROMOCIONES AL DESARROLLO BUMARI, S.L.	24,88
B82994138	PROMOCIONES GUADÁVILA, S.L.	18,66
B36563245	PROMOCIONES PARCELA H1 DOMINICANA, S.L.	12,31
B97344576	METROPOLI BURJASOT, S.L.	31,10
B62464839	PROYECTO INMOBILIARIO VALIANT, S.L.	62,21
B62464821	RENLOVI, S.L.	62,21
B65035149	RESIDENCIA FONTSANA, S.L.	30,63
A46016333	RESIDENCIAL LA MAIMONA, S.A.	50,00
A97195010	RESIDENCIAL NAQUERA GOLF, S.A.	14,77
260999	RESTAURA NOWOGROZKA, SP. ZOO	62,21
A99134710	RIOJA ARAGÓN DESARROLLOS URBANÍSTICOS, S.A.	24,88
N0033084E	RIVIERA MAYA INVESTMENT, B.V.	24,88
B84281104	ROYACTURA, S.L.	27,99
B97541056	SAN MIGUEL URBANIZADORA, S.L.	20,74
B97959043	SANTA POLA LIFE RESORTS, S.L.U.	62,21
B97256887	SECTOR RESIDENCIAL LA MAIMONA, S.L.U.	100,00
B97822480	SHARE CAPITAL, S.L.	26,76
A84729805	SUELÁBULA, S.A.	14,15
B97310445	TORRE LUGANO, S.L.	31,10
A82707720	TORRE NORTE CASTELLANA, S.A.	62,21
B23545379	UNCRO, S.L.	15,55
B98239437	URABITAT RESIDENCIAL, S.L.	31,10
B53766671	URBANIKA, PROYECTOS URBANOS, S.L.	28,38
A96132725	URBANIZACIÓN GOLF SANT GREGORI, S.A.	70,00
B97338362	URBANIZADORA FUENTE SAN LUIS, S.L.	15,84
A96993456	URBANIZADORA MADRIGAL, S.A.	100,00
B97236665	URBANIZADORA PARQUE AZUL, S.L.	66,67
B97296164	URBANIZADORA LA VIÑA DEL MAR, S.L.	29,55
B84257120	URBANIZADORA MARINA COPE, S.L.	12,44
B83581405	URBAPINAR, S.L.	62,21
B26446005	VALDEMONTE PROYECTOS, S.L.	31,10
B26458141	VALDEMONTE RENTAS, S.L.	31,10
BV 1287501	VARAMITRA REAL ESTATES, B.V.	24,88
B85537389	VEHÍCULO DE TENENCIA Y GESTIÓN 9, S.L.	26,54
A63755342	VILADECAVALLS PARK, CENTRO INDUSTRIAL, LOGÍSTICO Y COMERCIAL, S.A.	21,61