

REALIA
Business, S.A.
2014 Accounts
2014

REALIA

Realia Business, S.A.

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

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



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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Shareholders of Realia Business, S.A.,

Report on the Financial Statements

We have audited the accompanying financial statements of Realia Business, S.A. ("the Company"), which comprise the balance sheet as at 31 December 2014, and the income statement, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

Directors' Responsibility for the Financial Statements

The Directors are responsible for preparing the accompanying financial statements so that they present fairly the equity, financial position and results of Realia Business, S.A. in accordance with the regulatory financial reporting framework applicable to the Company in Spain (identified in Note 3.1 to the accompanying financial statements) and for such internal control as the directors determine is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the 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 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 financial statements present fairly, in all material respects, the equity and financial position of Realia Business, S.A. as at 31 December 2014, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein.

Emphasis of Matters

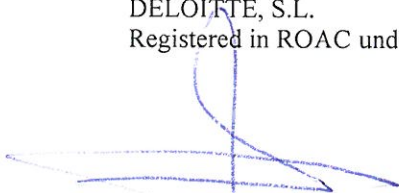
We draw attention to Note 14 to the accompanying financial statements, which indicate that in September 2013 the Company completed the refinancing of the syndicated loan associated with its property development business. The Company has undertaken, inter alia, to take the measures required to obtain funds in order to repay the aforementioned loan in the period remaining until it matures in 2016, either through direct investments in the Company itself or through asset sales. Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

The accompanying Directors' report for 2014 contains the explanations which the Directors consider appropriate about the Company's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the Directors' report is consistent with that contained in the financial statements for 2014. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the Company's accounting records.

DELOITTE, S.L.

Registered in ROAC under no. S0692



Miguel Laserna Niño
27 February 2015

Realia Business, S.A.

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

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of 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 22). In the event of a discrepancy, the Spanish-language version prevails.

REALIA BUSINESS, S.A.

BALANCE SHEET AS AT 31 DECEMBER 2014
(Thousands of Euros)

ASSETS		2014	2013	EQUITY AND LIABILITIES		Notes	2014	2013
NON-CURRENT ASSETS				EQUITY				
Intangible assets		714,147	745,887	SHAREHOLDERS' EQUITY		Note 12	161,650	202,331
Computer software	Note 5	32	86	Share capital			73,769	73,769
Property, plant and equipment	Note 6	632	738	Share Premium			266,242	266,242
Properties for own use		26	27	Reserves			322,223	322,110
Plant and other items of property, plant and equipment		606	711	Legal and bylaw reserves			15,291	15,291
Investment property	Note 7	6,989	7,296	Other reserves			306,932	306,819
Land		2,590	2,590	Treasury shares			(675)	(1,208)
Buildings		3,794	3,904	Prior years' losses			(458,592)	(394,422)
Other fixtures		575	792	Loss for the Year			(41,327)	(84,160)
Non-current investments in Group companies and associates	Notes 9.1 & 18.2	592,445	595,283	NON-CURRENT LIABILITIES			706,173	695,612
Equity instruments		592,445	595,283	Long-term provisions		Note 13.1	9,543	8,921
Deferred tax assets	Note 16.4	114,013	142,293	Non-current payables		Note 14	612,781	602,176
Other non-current assets		66	191	Bank borrowings			71,070	174,969
				Other financial liabilities			541,711	427,217
CURRENT ASSETS				Non-current payables to Group companies and associates		Notes 14 & 18.2	83,781	84,433
Inventories	Note 10	427,357	446,411	Deferred tax liabilities		Note 16.5	68	82
Land and building lots		362,366	397,177	CURRENT LIABILITIES			275,681	294,355
Long-cycle construction work in progress		245,878	253,999	Short-term provisions		Note 13.1	1,138	2,907
Completed buildings		33,187	33,893	Current payables		Note 14	256,955	266,559
Advances to suppliers		80,263	106,526	Bank borrowings			44,400	97,671
Trade and other receivables	Note 11	11,550	11,744	Other financial liabilities			212,555	168,888
Trade receivables for sales and services		5,474	5,474	Current payables to Group companies and associates		Notes 14 & 18.2	1,707	1,503
Trade receivables from Group companies and associates	Note 12.2	1,010	4,240	Trade and other payables			1,707	1,503
Sundry accounts receivable		2,749	887	Payable to suppliers		Note 15	13,881	23,386
Employee receivables		1		Payable to suppliers - Group companies and associates		Note 18.2	7,203	10,754
Accounts receivable from public authorities	Note 16.1	2,316	1,143	Sundry accounts payable			91	190
Current investments in Group companies and associates	Notes 9.2 & 18.2	6,120	21,081	Employer receivables			763	1,640
Loans to companies		1,574	665	Other accounts payable to public authorities			16	11
Current financial assets	Note 9.2	7	7	Customer advances			1,820	4,352
Loans to companies		1,567	658	TOTAL EQUITY AND LIABILITIES			1,141,504	1,192,298
Other financial assets		45,747	15,744				3,988	6,439
Cash and cash equivalents	Note 9.4	45,747	15,744					
TOTAL ASSETS		1,141,504	1,192,298					

The accompanying Notes 1 to 22 are an integral part of the balance sheet as at 31 December 2014.

REALIA BUSINESS, S.A.

INCOME STATEMENT FOR 2014

(Thousands of Euros)

	Notes	2014	2013
CONTINUING OPERATIONS			
Revenue	Note 17.1	24,117	25,097
Sales		21,715	22,294
Services		2,402	2,803
Other operating income		296	410
Non-core and other current operating income		296	410
Procurements	Note 17.2	(2,103)	(39,596)
Land and building lots used		2,415	(3,732)
Work performed by other companies		641	(5,595)
Write-down of land and building lots	Note 10	(5,159)	(30,269)
Changes in inventories of finished goods and work in progress	Note 10	(26,608)	(31,047)
Changes in inventories of finished goods and work in progress		(30,474)	(10,869)
Write-down of inventories of finished goods and work in progress		3,866	(20,178)
Staff costs		(6,369)	(8,568)
Wages, salaries and similar expenses		(5,225)	(7,140)
Employee benefit costs	Note 17.4	(1,144)	(1,428)
Other operating expenses		(4,469)	(1,682)
Outside services		(4,842)	(8,892)
Taxes other than income tax		(414)	(257)
Losses on impairment of and changes in allowances for trade receivables	Note 11	787	7,467
Depreciation and amortisation charge	Notes 5, 6 & 7	(490)	(509)
Excessive provisions	Note 13.1	1,177	2,167
Impairment and gains or losses on disposals of non-current assets		(32)	(43)
Impairment and other losses	Note 7	(32)	(46)
Gains or losses on disposals and other	Note 6	-	3
Other gains or losses		-	(63)
LOSS FROM OPERATIONS		(14,481)	(53,834)
Finance income	Note 17.5	19,847	25,481
From investments in equity instruments	Note 9.1	18,233	6,647
- Group companies and associates	Note 18.1	18,233	6,647
From marketable securities and other financial instruments		1,614	18,834
- Group companies and associates	Note 18.1	221	920
- Third parties		1,393	17,914
Finance costs	Note 17.5	(20,022)	(24,640)
On debts to Group companies and associates	Note 18.1	(955)	(2,909)
On debts to third parties		(19,067)	(22,069)
Capitalised borrowing costs	Note 10	-	338
Impairment and gains or losses on disposals of financial instruments	Note 17.5	(5,202)	(9,188)
Impairment and other losses		(5,202)	(9,188)
FINANCIAL LOSS		(5,377)	(6,347)
LOSS BEFORE TAX		(19,858)	(62,181)
Income tax	Note 16.3	(21,469)	(1,979)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		(41,327)	(64,160)
LOSS FOR THE YEAR		(41,327)	(64,160)

The accompanying Notes 1 to 22 are an integral part of the income statement for 2014.

REALIA BUSINESS, S.A.

STATEMENT OF CHANGES IN EQUITY FOR 2014
A) STATEMENTS OF RECOGNISED INCOME AND EXPENSE
(Thousands of Euros)

	Notes	2014	2013
LOSS PER INCOME STATEMENT (I)	Note 3	(41,327)	(64,160)
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY (II)		-	(6)
TOTAL TRANSFERS TO PROFIT OR LOSS (III)		-	-
TOTAL RECOGNISED INCOME AND EXPENSE (I+II+III)		(41,327)	(64,166)

The accompanying Notes 1 to 22 are an integral part of the statement of recognised income and expense for 2014.

REALIA BUSINESS, S.A.

STATEMENT OF CHANGES IN EQUITY FOR 2014
B) STATEMENT OF CHANGES IN TOTAL EQUITY
(Thousands of Euros)

	Share Capital	Share Premium	Reserves	Treasury Shares	Prior Years' Losses	Loss for the Year	TOTAL
2012 ENDING BALANCE	56,570	215,851	322,419	(1,571)	(97,645)	(296,777)	208,847
Total recognised income and expense	-	-	(6)	-	-	(64,160)	(64,166)
Transactions with shareholders:							
- Capital increases (Note 12)	7,199	50,391	-	-	-	-	57,590
- Allocation of 2012 loss	-	-	-	-	(296,777)	296,777	-
- Treasury share transactions (net) (Note 12.2)	-	-	(303)	363	-	-	60
2013 ENDING BALANCE	73,769	266,242	322,110	(1,208)	(394,422)	(64,160)	202,331
Total recognised income and expense	-	-	-	-	-	(41,327)	(41,327)
Transactions with shareholders:							
- Allocation of 2013 loss	-	-	-	-	(64,160)	64,160	-
- Treasury share transactions (net) (Note 12.2)	-	-	113	533	-	-	646
2014 ENDING BALANCE	73,769	266,242	322,223	(675)	(458,582)	(41,327)	161,650

The accompanying Notes 1 to 22 are an integral part of the statement of changes in total equity for 2014.

REALIA BUSINESS, S.A.

STATEMENT OF CASH FLOWS FOR 2014

(Thousands of Euros)

	Notes	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES (I)		37,904	(36,653)
Loss for the year before tax		(19,858)	(62,181)
Adjustments for:		6,558	50,975
- Depreciation and amortisation charge	Notes 5, 6 & 7	490	509
- Impairment losses	Notes 6.7, 9.1, 9.2 & 10	6,639	59,475
- Changes in provisions	Note 13.1	(746)	(8,165)
- Gains/Losses on derecognition and disposal of non-current assets	Note 6	-	(3)
- Finance income		(19,847)	(25,481)
- Finance costs		20,022	24,640
Changes in working capital		26,223	5,059
- Inventories	Note 10	31,626	11,932
- Trade and other receivables	Note 11	1,529	1,463
- Other current assets		-	3
- Trade and other payables	Note 15	(7,614)	(8,146)
- Other current liabilities		682	(193)
Other cash flows from operating activities		24,981	(30,506)
- Interest paid		(6,436)	(21,075)
- Dividends received	Note 9.1	18,233	6,647
- Interest received		1,987	890
- income tax recovered (paid)		11,600	(15,166)
(+/-) Other amounts received/(paid) relating to operating activities		(403)	(1,802)
CASH FLOWS FROM INVESTING ACTIVITIES (II)		5,151	5,063
Payments due to investment		(3,139)	(1,131)
- Group companies and associates		(1,063)	(1,028)
- Intangible assets	Note 5	(5)	(74)
- Property, plant and equipment	Note 6	(10)	(25)
- Investment property	Note 7	(10)	(4)
- Other financial assets		(2,051)	-
Proceeds from disposal		8,290	6,194
- Group companies and associates		8,267	5,929
- Property, plant and equipment	Note 6	1	7
- Other financial assets		22	258
CASH FLOWS FROM FINANCING ACTIVITIES (III)		(13,052)	(27,872)
Proceeds and payments relating to equity instruments		646	54
- Proceeds from issue of equity instruments		-	(6)
- Purchase of treasury shares	Note 12.2	(1,060)	(723)
- Disposal of treasury shares	Note 12.2	1,706	783
Proceeds and payments relating to financial liability instruments		(13,698)	(27,926)
- Proceeds from issue of borrowings from Group companies and associates	Note 14	81	1,701
- Proceeds from issue of other borrowings		4	9
- Repayment of bank borrowings	Note 14	(7,583)	(24,078)
- Repayment of borrowings from Group companies and associates	Note 14	(540)	(1,083)
- Repayment of other borrowings		(5,660)	(4,475)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES (IV)		-	-
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)		30,003	(59,462)
Cash and cash equivalents at beginning of year		15,744	75,206
Cash and cash equivalents at end of year		45,747	15,744

The accompanying Notes 1 to 22 are an integral part of the statement of cash flows for 2014.

Translation of 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 22). In the event of a discrepancy, the Spanish-language version prevails.

Realia Business, S.A.

Notes to the Financial Statements for the year ended 31 December 2014

1. Company activities

The Company 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 Company 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 Mantenimiento Integral, S.L. and Planigesa, S.A. 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. The legally required disclosures relating to this merger were included in the 2001 financial statements. 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 this merger were included in the 2005 financial statements.

On 5 February 2007, in view of the Company's desire to be floated on the stock market in 2007, the shareholders at the Company's Annual General Meeting approved the restructuring of the Realia Group through the incorporation of a new company, REALIA PATRIMONIO, S.L. (Sole-Shareholder Company), whose sole shareholder is Realia Business, S.A., and to which the property management activity of the Realia Group was contributed. The legally required disclosures relating to this transaction were included in the 2007 financial statements.

On 19 February 2009, the shareholders at the Extraordinary General Meeting resolved to wind up RB Business Holding, S.L. without liquidation, through a merger with Realia Business, S.A. On 9 June 2009, the shareholders at the Annual General Meetings of the absorbing and absorbed companies approved the downstream merger plan, which was executed in a public deed on 10 September 2009 and filed at the Mercantile Registry on 25 September 2009. The legally required disclosures relating to this merger were included in the 2009 financial statements.

The object and main business activity of the Company 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 financial statements

2.1 Fair presentation

The regulatory financial reporting framework applicable to the Company consists of:

- a. The Spanish Commercial Code and all other Spanish corporate law.
- b. The Spanish National Chart of Accounts and its industry adaptations.

- c. The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and the relevant secondary legislation.
- d. All other applicable Spanish accounting legislation.

The accompanying financial statements, which were obtained from the Company's accounting records, are presented in accordance with Royal Decree 1514/2007, approving the Spanish National Chart of Accounts, and with the amendments thereto introduced by Royal Decree 1159/2010. Accordingly, they present fairly the Company's equity, financial position, results of operations and cash flows for 2014.

These financial statements, which were formally prepared by the Company's directors, will be submitted for approval by the shareholders at the Annual General Meeting, and it is considered that they will be approved without any changes.

The Company is the head of a group of subsidiaries and is obliged under current legislation to prepare consolidated financial statements separately, in accordance with International Financial Reporting Standards as adopted by the European Union. The Realia Group's consolidated financial statements for 2014 were formally prepared by the Company's directors on 27 February 2015. The separate and consolidated financial statements for 2013 were approved by the shareholders at the Annual General Meeting of Realia Business, S.A. on 24 June 2014, and were filed at the Madrid Mercantile Registry.

2.2 Accounting principles

The directors formally prepared these financial statements taking into account all the obligatory accounting principles and standards with a significant effect hereon. All obligatory accounting principles were applied.

2.3 Key issues in relation to the measurement and estimation of uncertainty

In preparing the accompanying financial statements estimates were made by the Company's directors in order to measure 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 recoverable amount of property assets (see Notes 4-c and 4-g).
- The fair value of certain financial instruments (see Note 4-f).
- The amount of certain provisions (see Notes 4-k, 4-l and 4-m).
- The recoverability of deferred tax assets (see Note 4-i).

Impairment losses were calculated on the basis of measurements undertaken by independent valuers (see Notes 4-b, 4-c and 4-g).

Although these estimates were made on the basis of the best information available at 2014 year-end, 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.

2.4 Grouping of items

Certain items in the balance sheet, income statement, statement of changes in equity and statement of cash flows are grouped together to facilitate their understanding; however, whenever the amounts involved are material, the information is broken down in the related notes to the financial statements.

2.5 Correction of errors

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

2.6 Changes in accounting policies

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

2.7 Comparative information

The financial statements present, for comparison purposes, in addition to the figures for 2014 for each item in the balance sheet, income statement, statement of changes in equity, statement of cash flows and notes to the financial statements, the figures for 2013.

3. Allocation of loss

The proposed allocation of loss for the year that the Company's directors will submit for approval by the shareholders at the Annual General Meeting is as follows:

	Thousands of Euros
To prior years' losses	(41,327)
Total	(41,327)

4. Accounting policies

The principal accounting policies used by the Company in preparing its financial statements for 2014, in accordance with the Spanish National Chart of Accounts, were as follows:

a) Intangible assets

As a general rule, intangible assets are recognised initially at acquisition or production cost. They are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses. These assets are amortised over their years of useful life.

The Company recognises under "Intangible Assets" the costs incurred in the acquisition and development of computer programs, including website development costs. Computer software maintenance costs are recognised with a charge to the income statement for the year in which they are incurred. Computer software is amortised on a straight-line basis over three years.

Impairment of intangible assets and property, plant and equipment

At the end of each reporting period (for goodwill and intangible assets with indefinite useful lives) or whenever there are indications of impairment (for other assets), the Company tests the tangible and intangible assets for impairment to determine whether the recoverable amount of the assets has been reduced to below their carrying amount. Recoverable amount is the higher of fair value less costs to sell and value in use.

Company management performs impairment tests as follows:

The recoverable amounts are calculated for each cash-generating unit, although in the case of property, plant and equipment, wherever possible, the impairment tests are performed individually for each asset.

Where an impairment loss subsequently reverses (not permitted in the specific case of goodwill), the carrying amount of the asset or 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 in prior years. A reversal of an impairment loss is recognised as income.

b) Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition or production cost and are subsequently reduced by the related accumulated depreciation and by any impairment losses recognised, as indicated in Note 4-a.

The surpluses or net increases in value resulting from revaluations are depreciated over the tax periods in the remaining useful lives of the revalued assets.

Property, plant and equipment upkeep and maintenance expenses are recognised in the income statement for the year in which they are incurred. However, the costs of improvements leading to increased capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

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.

In-house work on non-current assets is measured at accumulated cost (external costs plus in-house costs, determined on the basis of in-house materials consumption, direct labour and general manufacturing costs calculated using absorption rates similar to those used for the measurement of inventories).

The Company depreciates its property, plant and equipment by the straight-line method at annual rates based on the years of estimated useful life of the assets, the detail being as follows:

	Depreciation Rate
Buildings	1%-4%
Plant	2%-12%
Furniture and computer hardware	10%-25%

c) Investment property

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

Investment property is measured as described in Note 4-b on property, plant and equipment.

The Company estimates the impairment losses on its investment property based on the fair value obtained from an appraisal performed by an independent valuer.

d) Leases

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

Operating leases

Lease income and expenses from operating leases are recognised in income on an accrual basis.

Also, the acquisition cost of the leased asset is presented in the balance sheet according to the nature of the asset, increased by the costs directly attributable to the lease, which are recognised as an expense over the lease term, applying the same method as that used to recognise lease income.

A payment made on entering into or acquiring a leasehold that is accounted for as an operating lease represents prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

Finance leases

The Company did not perform any finance lease transactions as lessor or lessee.

e) Asset exchange transactions

"Asset exchange" means the acquisition of property, plant and equipment, investment property, intangible assets or inventories 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 income statement.

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) Financial instruments

f.1) Financial assets

Financial assets are classified in the following categories:

- a. Loans and receivables: financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business, or financial assets which, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.
- b. Held-to-maturity investments: debt securities with fixed maturity and determinable payments that are traded in an active market and which the Company has the positive intention and ability to hold to the date of maturity.

- c. Held-for-trading financial assets: assets acquired with the intention of selling them in the near term and assets that form part of a portfolio for which there is evidence of a recent actual pattern of short-term profit-taking. This category also includes financial derivatives that are not financial guarantees and that have not been designated as hedging instruments.
- d. Other financial assets at fair value through profit or loss: this category includes the financial assets thus designated by the Company upon initial recognition, because either their designation as such eliminates or significantly reduces accounting mismatches or those assets form part of a group whose performance is evaluated by Company management on a fair value basis, in accordance with an established and documented strategy.
- e. Equity investments in Group companies, associates and jointly controlled entities: Group companies are deemed to be those related to the Company as a result of a relationship of control and associates are companies over which the Company exercises significant influence. Jointly controlled entities include companies over which, by virtue of an agreement, the Company exercises joint control with one or more other venturers.
- f. Available-for-sale financial assets: these include debt securities and equity instruments of other companies that are not classified in any of the aforementioned categories.
- g. Guarantees provided: these relate mainly to the amounts paid to the owners of leased premises, suppliers, municipal councils or other urban-development entities to guarantee the fulfilment of specific obligations. They are recognised at the amounts paid, which do not reasonably differ from fair value.

Initial recognition

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

In the case of equity investments in Group companies affording control over the subsidiary, since 1 January 2010 the fees paid to legal advisers and other professionals relating to the acquisition of the investment have been recognised directly in profit or loss.

Subsequent measurement

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

Held-for-trading financial assets and those classified as at fair value through profit or loss are measured at fair value and the gains and losses arising from changes in fair value are recognised in the net profit or loss for the year.

Investments in Group companies and associates and interests in jointly controlled entities are measured at cost net, where appropriate, of any accumulated impairment losses. These losses are calculated as the difference between the carrying amount of the investments and their recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. Unless there is better evidence of the recoverable amount, it is based on the value of the equity of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement (including any goodwill), net of the related tax effect.

Impairment losses and, where applicable, their reversal, are recognised as an expense or income, respectively, in the income statement. Impairment losses may be reversed up to the limit of the original carrying amount of the investment.

Group companies are considered those in which the Company holds an ownership interest of more than 50% in their share capital or when the bylaws or other agreements afford Realia Business, S.A. control over the company. Associates are companies in which the Company holds an ownership interest of more than 20% and has significant influence over their management.

The Company is the head of a group of companies, in which it holds direct interests, which are detailed in Note 9.1. The detail of the main aggregates in the financial statements of the Realia Group for 2014, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, is as follows:

	Thousands of Euros	
	2014	2013(*)
Total assets	2,141,997	3,135,616
Equity:		
Of the Parent	165,219	191,108
Attributable to non-controlling interests	136,351	514,500
Revenue	97,631	93,342
Loss for the year:		
Of the Parent	(39,614)	(51,025)
Attributable to non-controlling interests	3,230	29,806

(*) Figures restated in accordance with IFRS 10 and IFRS 11.

Lastly, available-for-sale financial assets are measured at fair value and the gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or it is determined that it has become (permanently) impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the net profit or loss for the year.

At least at each reporting date the Company tests financial assets for impairment in order to adjust them to their fair value. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When this occurs, the impairment loss is recognised in the income statement.

The Company derecognises a financial asset when the rights to the cash flows from the financial asset expire or have been transferred and substantially all the risks and rewards of ownership of the financial asset have also been transferred, such as in the case of firm asset sales, factoring of trade receivables in which the Company does not retain any credit or interest rate risk, sales of financial assets under an agreement to repurchase them at fair value and the securitisation of financial assets in which the transferor does not retain any subordinated debt, provide any kind of guarantee or assume any other kind of risk.

However, the Company does not derecognise financial assets, and recognises a financial liability for an amount equal to the consideration received, in transfers of financial assets in which substantially all the risks and rewards of ownership are retained, such as in the case of note and bill discounting, recourse factoring, sales of financial assets subject to an agreement to buy them back at a fixed price or at the selling price plus a lender's return and the securitisation of financial assets in which the transferor retains a subordinated interest or any other kind of guarantee that absorbs substantially all the expected losses.

f.2) Financial liabilities

Financial liabilities include accounts payable by the Company that have arisen from the purchase of goods or services in the normal course of the Company's business and those which, not having commercial substance, cannot be classed as derivative financial instruments.

Accounts payable are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortised cost.

Liability derivative financial instruments are measured at fair value using the same methods as those described above for held-for-trading financial assets.

The Company derecognises financial liabilities when the obligations giving rise to them cease to exist.

f.3) Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of a company after deducting all of its liabilities.

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

Treasury shares acquired by the Company during the year are recognised at the value of the consideration paid and are deducted directly from equity. Gains and losses on the acquisition, sale, issue or retirement of treasury shares are recognised directly in equity and in no case are they recognised in profit or loss.

g) Inventories

"Inventories" in the balance sheet includes the assets that the Company:

1. Holds for sale in the ordinary course of business;
2. Has in the process of production, construction or development for such sale; or
3. Expects 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 the lower of acquisition cost, plus any urban development costs and other costs incurred in connection with the purchase (transfer tax, registration expenses, etc.) and, since 1 January 2008, any borrowing costs incurred during the construction period, and fair value. When work on the property development commences, the capitalised cost of the land is transferred to property developments in progress, and development begins.

The costs incurred in property developments (or in portions thereof) construction of which had not been completed at year-end are classified as work in progress. The cost relating to property developments for which construction was completed in the year is transferred from "Property Developments in Progress" to "Completed Properties". These costs include those relating to building lots, urban development and construction, together with the related borrowing costs.

In the year ended 31 December 2014 the Company did not capitalise any borrowing costs to inventories.

The carrying amount of the Company's inventories is 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 market value was less than the carrying amount.

h) Foreign currency transactions

The Company'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 the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates then prevailing. Any resulting gains or losses are recognised directly in the income statement in the year in which they arise.

i) Income tax

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).

The current income tax expense is the amount payable by the Company as a result of income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, and tax loss carryforwards from prior years effectively offset in the current year reduce the current income tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are 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, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit (loss) nor taxable profit (tax loss), and except for those associated with investments in subsidiaries, associates and joint ventures in which the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognised in equity.

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

Since 2007 the Company has filed consolidated tax returns pursuant to Royal Decree Law 4/2004, of 5 March, and Realia Business, S.A. is the Parent of the tax group.

The filing of consolidated tax returns gives rise to the inclusion in the Parent (Realia Business, S.A.) of the individual income tax receivables and payables of the companies in the tax group.

j) Revenue and expense recognition

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

In this regard, the expenses yet to be incurred in delivering and settling property developments are recognised as "Trade Payables – Unreceived Invoices".

Sales of goods and revenue from services rendered are recognised net of the related taxes, less all discounts, whether or not included in the invoice, except for cash discounts, which are considered to be finance costs or income.

Revenue from sales of property units and the related costs are recognised on the date on which the keys are handed over to the customers, provided that the risks and rewards are transferred to the buyer, and the amount recognised in this connection under "Customer Advances" in the accompanying balance sheet is derecognised at that time.

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.

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the shareholder's right to receive payment has been established. Interest and dividends from financial assets accrued after the date of acquisition are recognised as income.

k) Provisions and contingencies

When preparing the financial statements the Company's directors made a distinction between:

- a. Provisions: credit balances covering present obligations arising from past events with respect to which it is probable that an outflow of resources embodying economic benefits that is uncertain as to its amount and/or timing will be required to settle the obligations; and
- b. Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the Company's control.

The financial statements include all the provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the financial statements, but rather are disclosed, unless the possibility of an outflow in settlement is considered to be remote.

Provisions are measured at the present value of the best possible estimate of the amount required to settle or transfer the obligation, taking into account the information available on the event and its consequences. Where discounting is used, adjustments made to provisions are recognised as interest cost on an accrual basis.

The Company recognises provisions for the expenses expected to be incurred from the completion of a property development to the definitive settlement thereof and the end of the period in which it is liable for quality flaws, latent defects, extraordinary repairs, after-sale services and other contingencies relating to delivered, completed or unsold properties.

The compensation to be received from a third party on settlement of the obligation is recognised as an asset, provided that there are no doubts that the reimbursement will take place, unless there is a legal relationship whereby a portion of the risk has been externalised as a result of which the Company is not liable; in this situation, the compensation will be taken into account for the purpose of estimating the amount of the related provision that should be recognised.

l) Termination benefits

Under current legislation, the Company is 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 financial statements do not include any provision in this connection since no situations of this nature had arisen at 31 December 2014.

m) Pension obligations

For employees with at least two years' service, the Company has externalised a defined contribution pension plan to provide benefits in the form of a lump sum. The Plan is included in the Bankia Pensiones IX pension fund, the manager and custodian of which are Bankia Pensiones S.A.U., E.G.F.P. and Bankia, S.A., respectively. 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 amounts to EUR 5,984 thousand, and the expense for 2013 to EUR 253 thousand (see Note 17.4). The aforementioned pension obligations are covered by an insurance policy for contributions exceeding the limits established by Law 35/2006. There are no other pension plans or additional obligations.

n) Joint ventures

For each item in the balance sheet and income statement, the Company includes the proportional part of the related balances in the balance sheets and income statements of the unincorporated temporary joint ventures (UTEs) and joint property entities in which it has ownership interests.

The UTEs and the joint property entities were included by making the required uniformity adjustments, reconciliations and reclassifications and by eliminating reciprocal asset and liability balances and income and expenses.

The main aggregates at 31 December 2014 of the UTEs and the joint property entities included in the financial statements of Realia Business, S.A. are as follows:

	Thousands of Euros
	UTEs and Joint Property Entities
Revenue	1,492
Profit from operations	389
Assets	7,355
Liabilities	331

None of the UTEs and joint property entities included in the Company's balance sheet and income statement at 31 December 2014 are subject to statutory audit.

o) Related party transactions

The Company performs all its transactions with related parties on an arm's length basis. Also, the transfer prices are adequately supported and, therefore, the Company's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future. The main balances and transactions with related parties are detailed in Note 18.

5. Intangible assets

The changes in 2014 and 2013 in "Intangible Assets" in the balance sheet and the most significant information affecting this heading were as follows:

Thousands of Euros	Computer Software
Cost -	
Balances as at 31 December 2012	2,031
Additions	74
Balances as at 31 December 2013	2,105
Additions	5
Balances as at 31 December 2014	2,110
Accumulated amortisation -	
Balances as at 31 December 2012	(1,945)
Charge for the year	(74)
Balances as at 31 December 2013	(2,019)
Charge for the year	(59)
Balances as at 31 December 2014	(2,078)
Intangible assets, net -	
Balances as at 31 December 2013	86
Balances as at 31 December 2014	32

At the end of 2014 the Company had fully amortised intangible assets still in a condition to be used amounting to EUR 2,018 thousand (2013: EUR 1,713 thousand).

6. Property, plant and equipment

The changes in 2014 and 2013 in "Intangible Assets" in the balance sheet and the most significant information affecting this heading were as follows:

	Thousands of Euros		
	Properties for Own Use	Plant and other Items of Property, Plant and Equipment	Total
Cost -			
Balances as at 31 December 2012	-	2,169	2,169
Additions	-	14	14
Disposals	-	(82)	(82)
Transfers	73	-	73
Balances as at 31 December 2013	73	2,101	2,174
Additions	-	10	10
Disposals	-	(7)	(7)
Balances as at 31 December 2014	73	2,104	2,177
Accumulated depreciation -			
Balances as at 31 December 2012	-	(1,350)	(1,350)
Charge for the year	-	(119)	(119)
Disposals	-	79	79
Transfers	(3)	-	(3)
Balances as at 31 December 2013	(3)	(1,390)	(1,393)
Charge for the year	(1)	(115)	(116)
Disposals	-	7	7
Balances as at 31 December 2014	(4)	(1,498)	(1,502)
Impairment losses -			
Balances as at 31 December 2012	-	-	-
Charge for the year	(43)	-	(43)
Balances as at 31 December 2013	(43)	-	(43)
Charge for the year	-	-	-
Balances as at 31 December 2014	(43)	-	(43)
Property, plant and equipment, net -			
Balances as at 31 December 2013	27	711	738
Balances as at 31 December 2014	26	606	632

At the end of 2014 the Company had fully depreciated items of property, plant and equipment still in use, the detail being as follows:

	Thousands of Euros	
	2014	2013
Plant and other items of property, plant and equipment	989	938
	989	938

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

7. Investment property

The changes in 2014 and 2013 in "Intangible Assets" in the balance sheet and the most significant information affecting this heading were as follows:

	Thousands of Euros			
	Land and Building Lots	Rental Properties	Other Fixtures	Total Investment Property
Cost -				
Balances as at 31 December 2012	5,408	10,459	3,211	19,078
Disposals	-	4	-	4
Transfers (Note 6)	-	(73)	-	(73)
Balances as at 31 December 2013	5,408	10,390	3,211	19,009
Additions	-	10	-	10
Transfers	-	146	(146)	-
Balances as at 31 December 2014	5,408	10,546	3,065	19,019
Accumulated depreciation -				
Balances as at 31 December 2012	-	(926)	(502)	(1,428)
Charge for the year	-	(199)	(116)	(315)
Transfers	-	3	-	3
Balances as at 31 December 2013	-	(1,122)	(618)	(1,740)
Charge for the year	-	(200)	(115)	(315)
Transfer	-	(45)	45	-
Balances as at 31 December 2014	-	(1,367)	(688)	(2,055)
Impairment losses -				
Balances as at 31 December 2012	(2,788)	(5,359)	(1,823)	(9,970)
Charge for the year	(59)	(122)	(6)	(187)
Impairment losses reversed	39	117	28	184
Balances as at 31 December 2013	(2,808)	(5,364)	(1,801)	(9,973)
Charge for the year	(10)	(21)	(1)	(32)
Balances as at 31 December 2014	(2,818)	(5,385)	(1,802)	(10,005)
Investment property, net -				
Balances as at 31 December 2013	2,600	3,904	792	7,296
Balances as at 31 December 2014	2,590	3,794	575	6,959

At 31 December 2014 and 2013, no items had been fully depreciated.

The fair value of the Company's investment property at 31 December 2014, calculated on the basis of appraisals conducted by independent valuers not related to the Group, amounted to EUR 8.1 million (31 December 2013: EUR 7.3 million).

Since 2012 the aforementioned market value has been calculated based on appraisals conducted by independent valuers, performed in accordance with the principles and methodology of Ministry of Economy Order ECC/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 assets 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).

In 2014 the Company recognised impairment losses amounting to EUR 32 thousand on investment property in order to adjust its carrying amount to market value (2013: EUR 3 thousand).

Location and use

The detail of the investments included under "Investment Property" in the accompanying balance sheet, which consist of buildings held to earn rentals, and of the use thereof, is as follows:

- The María Tubau office block (Madrid), which is currently vacant and has a gross leasable area of 1,539 square metres and five parking spaces.
- The Hato Verde golf course (Seville), which has a gross area for sports use of 339,136 square metres and a gross buildable area of 2,661 square metres, both fully leased to a Group company.

Related income and expenses

In 2014 and 2013 the rental income from the investment property owned by the Company, which related in full to the golf course, amounted to EUR 150 thousand in both years (see Note 17.1) and the operating expenses of all kinds relating thereto were passed on to Guillena Golf, S.L., a wholly-owned investee of Realia Business, S.A.

At the end of 2014 and 2013 there were no restrictions, other than as set out in the syndicated financing agreement, on making new investment property investments, on the collection of rental income therefrom or in connection with the proceeds obtained from a potential disposal thereof.

8. Leases

8.1 Operating leases (lessee)

At the end of 2014 and 2013 the Company had contracted with lessors 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 or future contractual lease payment revisions:

Minimum Operating Lease Payments	Nominal Value	
	2014	2013
Within one year	239	354
Between two and five years	-	233
After five years	-	-
	239	587

The lease payments relate mainly to the lease of the Puerta Europa Este (Madrid) building, which houses the Company's head office and to the lease of the Catalonia office in Torre Porta Fira (Barcelona), both of which are owned by its subsidiary Realia Patrimonio, S.L.U.

8.2 Operating leases (lessor)

At the end of 2014 and 2013 the Company 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 or future contractual lease payment revisions:

Minimum Operating Lease Payments	Thousands of Euros	
	Nominal Value	
	2014	2013
Within one year	88	88
Between one and five years	-	-
After five years	-	-
	88	88

The detail of the operating lease payments recognised as income in 2014 and 2013 is as follows:

	Thousands of Euros	
	2014	2013
Minimum lease payments	150	150
Total, net	150	150

9. Financial assets (non-current and current) and other non-current assets

9.1 Non-current financial assets

The detail of "Non-Current Investments in Group Companies and Associates" at the end of 2014 and 2013 is as follows:

2014

	Thousands of Euros	
	Non-Current Financial Instruments	
	Equity Instruments	Total
Investments in Group companies and associates	592,445	592,445
Total	592,445	592,445

2013

	Thousands of Euros	
	Non-Current Financial Instruments	
	Equity Instruments	Total
Investments in Group companies and associates	595,283	595,283
Total	595,283	595,283

1) Ownership interest:

Company	% of Ownership			
	2014		2013	
	Direct	Effective	Direct	Effective
Group				
Servicios Índice, S.A.	50.50%	50.50%	50.50%	50.50%
Fomento Inmobiliario Levantino, S.L.	51.00%	51.00%	51.00%	51.00%
Noralia, S.A.	-	-	51.00%	51.00%
Realia Business Portugal Unipessoal, Lda.	100.00%	100.00%	100.00%	100.00%
Retingle, S.L.	50.10%	50.10%	50.10%	50.10%
Valaise, S.L.	100.00%	100.00%	100.00%	100.00%
Realia Polska Inwestycje S.P., ZOO	100.00%	100.00%	100.00%	100.00%
Wilanow Realia Sp. z o.o.	51.65%	100.00%	38.47%	100.00%
Mindaza, S.L.	-	-	100.00%	100.00%
Realia Patrimonio, S.L.U.	100.00%	100.00%	100.00%	100.00%
Realia Contesti, S.R.L.	100.00%	100.00%	68.83%	100.00%
Realia Zarea, S.R.L.	-	-	100.00%	100.00%
Guillena Golf, S.L.	100.00%	100.00%	100.00%	100.00%
SIIC de Paris	-	-	-	58.98%
Associates				
Inversiones Inmobiliarias, Rústicas y Urbanas 2000, S.L.	33.36%	33.36%	33.36%	33.36%
Desarrollo Urbanístico Sevilla Este, S.L. (DUSE)	30.52%	33.36%	30.52%	33.36%
Ronda Norte Denia, S.L.	32.63%	32.63%	32.63%	32.63%

2) Equity position:

As at 31 December 2014:

Company	Thousands of Euros					
	Share Capital	Profit or Loss (1)		Other Equity Items	Total Equity	Dividends Received
		From Operations	Net			
Servicios Índice, S.A. (b)	8,000	(99)	(77)	2,808	10,731	-
Fomento Inmobiliario Levantino, S.L. (b)	699	-	11	(236)	474	-
Realia Business Portugal Unipersonal, Lda. (b)	250	(360)	(410)	2,187	2,027	-
Retingle, S.L. (b)	21,481	359	131	1,229	22,841	196
Valaise, S.L.U. (b)	10	(7)	(7)	15	18	-
Realia Polska Inwestycje Sp. z o.o. (b)	4,463	(50)	(89)	(4,325)	49	-
Wilanow Realia Sp. z o.o. (b)	8,737	(180)	(302)	(8,348)	87	-
Realia Patrimonio, S.L.U. (a)	100,000	17,631	(82,636)	508,074	525,438	18,037
Realia Contesti, S.R.L. (b)	3,997	(237)	(200)	318	4,115	-
Guillena Golf, S.L.U. (b)	372	(472)	(472)	232	132	-
Total Group	148,009	16,585	(84,051)	501,954	565,912	18,233
Inversiones Inmobiliarias, Rústicas y Urbanas 2000, S.L. (b)	20	(40)	(246)	35,030	34,804	-
Desarrollo Urbanístico Sevilla Este, S.L. (b)	2,228	(320)	(10,340)	(18,359)	(26,471)	-
Ronda Norte Denia, S.L. (b)	475	26	-	(36)	439	-
Total associates	2,723	(334)	(10,586)	16,635	8,772	-
Total	150,732	16,251	(94,637)	518,589	574,684	18,233

(a) Financial statements audited by Deloitte, S.L.

(b) Unaudited financial statements.

As at 31 December 2013:

Company	Thousands of Euros					
	Share Capital	Profit or Loss (1)		Other Equity Items	Total Equity	Dividends Received
		From Operations	Net			
Servicios Índice, S.A. (b)	8,000	(70)	(16)	2,824	10,808	-
Fomento Inmobiliario Levantino, S.L. (b)	699	75	86	(322)	463	-
Noralia, S.A. (b)	5,700	35	(3,233)	(45,022)	(42,555)	-
Realia Business Portugal Unipersonal, Lda. (b)	250	(287)	(357)	3,573	3,466	-
Retingle, S.L. (b)	21,481	456	434	1,186	23,101	251
Valaise, S.L.U. (b)	10	(5)	(3)	18	25	299
Realia Polska Inwestycje Sp. z o.o. (b)	4,463	469	668	(4,976)	155	-
Wilanow Realia Sp. z o.o. (b)	6,851	(29)	(474)	(4,480)	1,897	-
Mindaza, S.L.U. (b)	60	-	-	(8)	52	-
Realia Patrimonio, S.L.U. (a)	100,000	12,744	26,905	490,549	617,454	6,097
Realia Contesti, S.R.L. (b)	3,997	(21)	(2)	1,492	5,487	-
Realia Zarea, S.R.L. (b)	2,163	(13)	(12)	(79)	2,072	-
Guillena Golf, S.L.U. (b)	342	(530)	(536)	498	304	-
Total Group	154,016	12,824	23,460	445,253	622,729	6,647
Inversiones Inmobiliarias, Rústicas y Urbanas 2000, S.L. (b)	20	(40)	(99)	33,879	33,800	-
Desarrollo Urbanístico Sevilla Este, S.L. (b)	2,228	(349)	(8,341)	(10,017)	(16,130)	-
Ronda Norte Denia, S.L. (b)	475	24	-	(36)	439	-
Total associates	2,723	(365)	(8,440)	23,826	18,109	-
Total	156,739	12,459	15,020	469,079	640,838	6,647

(a) Financial statements audited by Deloitte, S.L.

(b) Unaudited financial statements.

3) Investments:

As at 31 December 2014:

Company	Thousands of Euros			
	Carrying Amount			
	Cost	Impairment Loss (Recognised) Reversed in the Year (Note 17.5)	Accumulated Impairment Losses	Total
Group:				
Servicios Índice, S.A.	6,498	-	-	6,498
Fomento Inmobiliario Levantino, S.L.	357	5	(115)	242
Realia Business Portugal Unipessoal, Lda.	8,199	(1,091)	(6,168)	2,031
Retingle, S.L.	10,762	-	-	10,762
Valaise, S.L.	10	-	-	10
Realia Polska Inwestycje Sp. z o.o.	6,037	(236)	(5,462)	575
Wilanow Realia Sp. z o.o.	4,993	(2,579)	(4,948)	45
Realia Patrimonio, S.L.U.	552,960	-	-	552,960
Realia Contesti, S.R.L.	13,610	(21)	(9,349)	4,261
Realia Zarea, S.R.L.	-	(713)	-	-
Guillena Golf, S.L.	3,718	(472)	(3,586)	132
Total Group	607,144	(5,107)	(29,628)	577,516
Associates:				
Inversiones Inmobiliarias, Rústicas y Urbanas 2000, S.L.	20,179	(605)	(5,393)	14,786
Desarrollo Urbanístico Sevilla Este, S.L.	61,401	-	(61,401)	-
Ronda Norte Denia, S.L.	155	-	(12)	143
Total associates	81,735	(605)	(66,806)	14,929
Total	688,879	(5,712)	(96,434)	592,445

As at 31 December 2013:

Company	Thousands of Euros			
	Carrying Amount			
	Cost	Impairment Loss (Recognised) Reversed in the Year (Note 17.5)	Accumulated Impairment Losses	Total
Group:				
Asuntos Generales Inmobiliarios, S.A.	-	(5)	-	-
Servicios Índice, S.A.	6,498	-	-	6,498
Fomento Inmobiliario Levantino, S.L.	357	44	(120)	237
Noralia, S.A.	2,907	-	(2,907)	-
Realia Business Portugal Unipessoal, Lda.	7,449	(717)	(5,077)	2,372
Retingle, S.L.	10,762	-	-	10,762
Valaise, S.L.	10	-	-	10
Realia Polska Inwestycje Sp. z o.o.	6,037	643	(5,226)	811
Wilanow Realia Sp. z o.o	3,107	(1,285)	(2,369)	738
Mindaza, S.L.	60	-	(8)	52
Realia Patrimonio, S.L.U.	552,960	-	-	552,960
Realia Contesti, S.R.L.	12,258	(851)	(9,328)	2,930
Realia Zarea, S.R.L.	2,171	(13)	(96)	2,075
Guillena Golf, S.L.	3,418	(537)	(3,114)	304
Total Group	607,994	(2,721)	(28,245)	579,749
Associates:				
Inversiones Inmobiliarias, Rústicas y Urbanas 2000, S.L.	20,179	(4,788)	(4,788)	15,391
Desarrollo Urbanístico Sevilla Este, S.L.	61,401	-	(61,401)	-
Ronda Norte Denia, S.L.	155	-	(12)	143
Total associates	81,735	(4,788)	(66,201)	15,534
Total	689,729	(7,509)	(94,446)	595,283

The impairment losses recognised in 2014 are based on estimates of the fair value of the investments made using the principles described in Note 4-f.

The detail of the most significant transactions carried out in 2014 is as follows:

a) Liquidation of Realia Zarea S.R.L. and transfer of the ownership interest in Realia Contesti S.R.L.

Realia Zarea S.R.L., a wholly-owned subsidiary of the Company, was liquidated in May 2014. The liquidation gave rise to a loss of EUR 713 thousand, which is recognised under "Impairment and Gains or Losses on Disposals of Financial Instruments - Impairment and Other Losses" in the accompanying income statement (see Note 17.5). Realia Zarea S.R.L. owned 31.17% of the share capital of Realia Contesti S.R.L. and, therefore, after the liquidation the Company acquired full, direct ownership of Realia Contesti S.R.L.

b) Capital increase at Wilanow Realia Sp. ZOO

In June 2014, Wilanow Realia Sp. ZOO converted into capital a portion of its debt to the Company by means of a capital increase amounting to EUR 1,886 thousand. As a result, the Company's direct ownership interest in this company rose to 51.65%. The Company also wrote down this ownership interest by EUR 2,580 thousand with a charge to "Impairment and Gains or Losses on Disposals of Financial Instruments" in the accompanying income statement.

c) Capital increase at Guillena Golf, S.L.

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.

d) Capital increase at Realia Business Portugal Unipessoal Lda.

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.

e) Sale of SIIC de Paris.

On 23 July 2014, the investee Realia Patrimonio, S.L.U. sold its entire ownership interest in the SIIC de Paris Group. The Company had a 58.98% indirect ownership interest in SIIC de Paris.

f) Liquidation of Noralia, S.A.

In May 2013 the Annual General Meeting of Noralia, S.A. unanimously resolved to liquidate the company, in which the Company had a 51% ownership interest. In November 2013 the Madrid Commercial Court no. 11 declared the company to be in a state of voluntary insolvency as the debtor had no assets available to creditors, and was adjudged to have ceased to exist. The court order became final on 10 January 2014 and was filed at the Madrid Mercantile Registry. The liquidation did not give rise to any gains or losses, since the carrying amount had been written off.

g) Liquidation of Mindaza, S.A.

Mindaza, S.A., a wholly-owned subsidiary of the Company, was liquidated in 2014. The liquidation did not give rise to any gains or losses, since the carrying amount had been written off.

9.2 Current financial assets and current investments in Group companies and associates

The detail of "Current Investments in Group Companies and Associates" and "Current Financial Assets" at the end of 2014 and 2013 is as follows:

2014

	Thousands of Euros	
	Loans, Derivatives and Other	Loans to Group Companies/ Associates (Note 18.2)
Current Financial Instruments		
Loans and receivables	7	6,120
Other financial assets	1,567	-
	1,574	6,120

2013

Current Financial Instruments	Thousands of Euros	
	Loans, Derivatives and Other	Loans to Group Companies/ Associates (Note 18.2)
Loans and receivables	7	21,081
Other financial assets	658	-
	665	21,081

"Loans and Receivables" includes mainly loans to Group companies which earn interest at market rates.

in 2014 the Company converted EUR 1,886 thousand of the loan to Wilanow Realia SP into shares and reversed EUR 1,646 thousand of impairment losses on its loans to Group companies (having charged impairment losses of EUR 1,646 thousand in 2013) (see Note 17.5). The remainder, amounting to EUR 7,516 thousand, was collected in 2014.

Also, in 2014 Realia Patrimonio, S.L.U. paid in full the tax assets earned by Realia Business, S.A. at 31 December 2013, amounting to EUR 6,067 thousand.

9.3 Information on the nature and level of risk of financial instruments

Qualitative information

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 Company's financial risk management is centralised in its Financial Department, which has established the mechanisms required to control exposure to interest rate and exchange rate fluctuations and credit and liquidity risk.

The main financial risks affecting the Company are as follows

a) Credit risk

The Company 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 13,704 thousand, which the Company wrote down due to the related risk, estimated at EUR 8,261 thousand (see Note 11). Lastly, there is no material risk with regard to the lease of property assets, although the current crisis has caused an upturn in non-payment and doubtful debts. Company management has recognised provisions for all these contingencies based on the late payment period or doubtful debts.

b) Liquidity risk

The residential property market has deteriorated steadily since the second half of 2007. The decline in demand for housing, particularly second homes, 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 many companies in the sector, which is expected to continue.

In 2013 the Parent completed the refinancing of its syndicated bank borrowings for an amount of EUR 791.8 million, which became effective on 27 September 2013, once the conditions precedent were met, with the financing of Realia Business, S.A. being extended until 30 June 2016 subject to compliance with the agreed-upon contractual conditions, thereby providing the Company with sufficient liquidity to fulfil its commercial and financial obligations. In this context, a business plan covering the next three years was prepared (ending in June 2016) and was verified by an independent expert, who indicated that there was sufficient liquidity for the plan 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 for 2015, based on a minimum basis of recurring business, dividends and other payments received for services rendered to Group companies, excluding any extraordinary land-sale transactions, led to estimated collections of EUR 46.1 million which, together with estimated payments of EUR 35.4 million, gave rise to a positive net cash flow of EUR 10.7 million which, together the available cash balance, will be used to repay debt in compliance with existing contract terms.

c) Solvency risk

At 31 December 2014, the net bank or similar borrowings (bank borrowings transferred) of Realia Business, S.A. amounted to EUR 763,340 thousand, as shown in the following table:

	Thousands of Euros
Gross bank borrowings:	
Syndicated credit facility	791,615
Mortgage loans	14,305
Accrued interest	3,165
Cash and cash equivalents	(45,747)
Net bank or similar borrowings (*)	763,340

(*) Excluding loan arrangement fees

Taking into consideration the above net bank borrowings, plus the debt attributable to a portion of the Company's subsidiaries, amounting to EUR 300,098 thousand, set forth below is a detail of the carrying amount of the assets of Realia Business, S.A.:

	Thousands of Euros
Appraised value of property management assets	8,145
Appraised value of property development and land assets	394,993
Value of equity investment assets	1,197,471
Total value of assets	1,600,609

The Company's LTV ratio was, therefore, 66.4%.

In 2014 the Company had negative EBITDA of EUR 14,630 thousand, which was to be used to cover a financial loss amounting to EUR 175 thousand.

At 2014 year-end the Company had working capital of EUR 153,677 thousand.

d) Interest rate and foreign currency risk

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

The aim of interest rate risk management is to achieve a balanced debt structure that makes it possible to minimise the cost of the debt over several years with reduced income statement volatility. In view of the comparative analysis of finance costs contained in the 2013-2016 Business Plan and the yield curve trends, the Company opted not to hedge interest rate risk in order to minimise the borrowing costs in the period covered by the business plan.

e) Foreign currency risk

The Company is not exposed to a significant level of foreign currency risk.

f) 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 related impact on earnings. Market risk is expected to continue affecting the Company's business activity in 2015, but to a lesser extent than in prior years, considering the prospects for improvement in the sector.

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 decline in value of residential property and land make them more 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.

9.4 Cash and cash equivalents

The detail of "Cash and Cash Equivalents" at the end of 2014 and 2013 is as follows:

	Thousands of Euros	
	2014	2013
Cash	33,747	15,744
Cash equivalents	12,000	-
Total	45,747	15,744

10. Inventories

The detail of "Inventories" at 31 December 2014 and 2013, which relate substantially in full 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	630,125	(384,247)	245,878	633,087	(379,088)	253,999
Sundry materials	-	-	-	60	(60)	-
Long-cycle construction work in progress	48,267	(15,080)	33,187	48,238	(14,345)	33,893
Completed buildings	105,994	(25,731)	80,263	136,498	(30,272)	106,226
Advances to suppliers	3,038	-	3,038	3,059	-	3,059
Total	787,424	(425,058)	362,366	820,942	(423,765)	397,177

The fair value of inventories at 31 December 2014, calculated on the basis of appraisals conducted by independent valuers not related to the Group, as described in Note 4-g, amounted to EUR 394,993 thousand (31 December 2013: EUR 431,482 thousand). Where appropriate, the Company wrote down inventories in order to adjust their carrying amount to market value, which gave rise to a loss of EUR 1,293 thousand (31 December 2013: EUR 50,447 thousand).

The aforementioned market value was calculated based on appraisals conducted by independent valuers, performed in accordance with the principles and methodology of 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 assets 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 requirements of 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 any case, the current situation of the residential market may give rise to differences between the fair value of the Company's inventories and the effective realisable value thereof.

The changes in gross cost terms in "Inventories" in the years ended 31 December 2014 and 2013 were as follows:

	Thousands of Euros						
	Land and Building Lots	Long-Cycle Developments in Progress	Short-Cycle Developments in Progress	Completed Buildings	Other	Net Write-Downs	Total
Balance as at 31 December 2012	634,073	48,345	17,335	129,662	60	(373,317)	456,158
Additions	1,443	-	10,042	17	-	(50,448)	(38,946)
Disposals	(2,429)	(107)	-	(20,558)	-	-	(23,094)
Transfers	-	-	(27,377)	27,377	-	-	-
Balance as at 31 December 2013	633,087	48,238	-	136,498	60	(423,765)	394,118
Additions	2,272	29	-	-	-	(14,278)	(11,977)
Disposals	(5,234)	-	-	(30,504)	(60)	12,985	(22,813)
Balance as at 31 December 2014	630,125	48,267	-	105,994	-	(425,058)	359,328

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 conditions 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 Company, which was appealed against by the other party and dismissed by the court; on 13 November 2014, 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 11), 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 to profit or loss 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, 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 2013 the most significant additions to "Land and Building Lots" related to the award of land in Huelva, amounting to EUR 328 thousand, to guarantee the settlement agreement arising from the litigation between Realía Business, S.A. and the seller for land development payments in San Mateo de Gállego, and the capitalisation of the costs of the various land re-parcelling and urban development projects. Also, two plots of land in Son Dameto (Palma de Mallorca) and Sanchinarro (Madrid) were sold in 2013 for an aggregate amount of EUR 3,484 thousand, giving rise to a gain of EUR 1,055 thousand.

Advances to suppliers

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

Land	Province	Thousands of Euros	
		2014	2013
Valdebebas	Madrid	3,020	3,020
El Molar	Madrid	18	18
Remaining land and other		-	21
Total		3,038	3,059

Advances in 2014 and 2013 relate basically to urban development costs charged by the Valdebebas Development and Apportionment Entity.

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

Inventories held as collateral for mortgage loans

At 31 December 2014, certain assets were recognised under inventories, with an aggregate carrying amount of EUR 269,124 thousand, which serve as mortgage security for the syndicated loan arranged in 2009, as well as the bilateral loans with Kutxa Bank, Banco Santander and the Bank Restructuring Asset Management Company (SAREB), arranged by Realia Business, S.A. (see Note 14).

At 31 December 2013, certain assets were recognised under inventories, with an aggregate carrying amount of EUR 289,786 thousand, which serve as mortgage security for the syndicated loan arranged in 2009, as well as the bilateral loans with Kutxa Bank, Banco Santander and SAREB, arranged by Realia Business, S.A. (see Note 14).

Sale commitments

Property development and land sale commitments entered into with customers at 31 December 2014 (arranged as earnest money and other agreements) amounted to EUR 6,635 thousand (31 December 2013: EUR 13,483 thousand), of which EUR 3,988 thousand (31 December 2013: EUR 6,439 thousand) are recognised under "Trade Payables - Customer Advances" in the accompanying balance sheet (see Note 15). EUR 311 thousand of the foregoing amounts were collected in 2014 (2013: EUR 881 thousand). The remainder relates to commitments arising from asset exchange transactions.

Capitalised borrowing costs

As described in Note 4-g, the Company capitalises the borrowing costs incurred in the year which relate to inventories that have a production cycle of more than one year. In 2014 no borrowing costs were capitalised in this connection (2013: EUR 338 thousand).

The detail of the capitalised borrowing costs is as follows:

	Thousands of Euros			
	31/12/14		31/12/13	
	Interest Capitalised in the Year	Accumulated Capitalised Interest	Interest Capitalised in the Year	Accumulated Capitalised Interest
Land and building lots	-	8,727	76	8,727
Short-cycle construction work in progress	-	-	262	-
Long-cycle construction work in progress	-	1,385	-	1,385
Completed buildings	-	3,856	-	4,420
Total	-	13,968	338	14,532

11. Trade and other receivables

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

	Thousands of Euros	
	2014	2013
Trade and other receivables	5,474	5,474
Trade receivables from Group companies and associates (Note 18.2)	1,010	4,240
Sundry accounts receivable	2,749	887
Employee receivables	1	-
Current tax assets (Note 16.1)	2,314	883
Other accounts receivable from public authorities (Note 16.1)	2	260
Total trade and other receivables	11,550	11,744

The balance of "Trade and Other Receivables" under current assets in the balance sheet reflects mainly the trade receivables arising from property development and land sales, including most notably the gross value of the trade receivables relating to sales of land amounting to EUR 13,704 thousand. At 31 December 2014, the Company had recognised an impairment loss on this amount for the related risk, which it estimated at EUR 8,261 thousand.

The balance of "Sundry Accounts Receivable" includes mainly the account receivable outstanding in relation to the advances paid on the purchase of the land in Valdemoro (R7), which must be returned as the contract was adjudged inoperative pursuant to a final court judgment. The directors consider that the carrying amount of the accounts receivable approximates their fair value.

12. Equity and Shareholders' equity

At 31 December 2014 and 2013, the Company's shares were traded on the Madrid and Barcelona stock exchanges. The market price of the Company's shares at 31 December 2014 and the average market price in the fourth quarter were EUR 0.51 and EUR 0.87 per share, respectively. The market price of the Company's shares at 31 December 2013 and the average market price in the fourth quarter amounted to EUR 0.83 in both cases.

At 31 December 2014, 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:

	31/12/14		31/12/13	
	Percentage of Ownership	Thousands of Euros	Percentage of Ownership	Thousands of Euros
		Amount of Share Capital		Amount of Share Capital
Corporación Industrial Bankia, S.A.	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	2.218%	1,636
Per Gestora Inmobiliaria, S.L. (FCC 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 interests 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 formal preparation of these financial statements 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.

12.1 Legal reserve

Under the Spanish Limited Liability Companies Law, the Company must transfer 10% of net profit for each year 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 had reached the legally required minimum.

12.2 Treasury shares

In 2010 the Company entered into an agreement to manage its treasury shares with a specialist entity. The sale of these shares on the market gave rise to a gain of EUR 113 thousand in 2014 (2013: loss of EUR 303 thousand), which was deducted from "Reserves" in the accompanying balance sheet.

The changes in 2014 were as follows:

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

12.3 Restricted reserves

Restricted reserves amounting to EUR 43,764 thousand arose on 15 June 2000 as a result of the transfer of capital to reserves following the capital reduction at Produsa Este, S.A., now Realia Business, S.A.

12.4 Share premium

The Consolidated Spanish Limited Liability Companies Law expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use for other purposes.

13. Provisions and contingencies

13.1 Provisions

The detail of the provisions in the balance sheets as at 31 December 2014 and 2013 and of the main changes therein in the years then ended is as follows:

Long term

Long-Term Provisions	Thousands of Euros		
	Warranty Provisions	Other Provisions	Total
Balance as at 31 December 2012	10,477	1,486	11,963
Additions	-	199	199
Amounts used and reversed	(1,799)	(358)	(2,157)
Transfers	(717)	(367)	(1,084)
Balance as at 31 December 2013	7,961	960	8,921
Additions	-	1,440	1,462
Amounts used and reversed	(1,046)	(249)	(1,317)
Transfers	477	-	477
Balance as at 31 December 2014	7,392	2,151	9,543

The amount recognised under "Warranty Provisions" at 2014 year-end relates to the estimate made by the Company to cover the expenses expected to be incurred from the completion of a property development to the definitive settlement thereof and the end of the period in which it is liable for quality flaws, latent defects, extraordinary repairs, after-sale services and other contingencies relating to properties delivered in the last ten years, arising out of claims from third parties or litigation in progress.

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. This reversal was recognised under "Losses on, Impairment of and Change in Allowances for Trade Receivables" in the accompanying income statement.

Also, the amount recognised under "Other Provisions" relates to the estimates made by the Company to cover possible liability from lawsuits of other types arising from claims filed by third parties.

Short term

Short-Term Provisions	Thousands of Euros		
	Warranty Provisions	Other Provisions	Total
Balance as at 31 December 2012	898	9,300	10,198
Disposals	-	(1,608)	(1,608)
Amounts used/reversed	-	(6,400)	(6,400)
Transfers	717	-	717
Balance as at 31 December 2013	1,615	1,292	2,907
Amounts used/reversed	-	(1,292)	(1,292)
Transfers	(477)	-	(477)
Balance as at 31 December 2014	1,138	-	1,138

In 2014, EUR 1,292 thousand were used/reversed, EUR 346 thousand of which to meet the expenses arising out of certain lawsuits which were recognised according to their nature under "Outside Services" in the income statement, and EUR 946 thousand as a result of an excessive provision, which is recognised under "Excessive Provisions" in the accompanying income statement.

Also, EUR 4,204 thousand were used in 2013 for various expenses arising from lawsuits and the expenses incurred in the financial restructuring initiated in 2013.

13.2 Contingencies

The Company is the defendant in certain disputes in relation to the liability arising from its business activities. The lawsuits, which may be significant in number, represent scanty material amounts when considered individually and none of them are particularly noteworthy. In any case, the Company considers that the provisions recognised in the accompanying financial statements for the risk of litigation are sufficient, and there are no possible risks requiring disclosure.

14. Financial liabilities (non-current and current)

The detail of "Non-Current Payables", "Current Payables", "Non-Current Payables to Group Companies and Associates" and "Current Payables to Group Companies and Associates" at 31 December 2014 and 2013 is as follows:

2014

Categories	Thousands of Euros				
	Non-Current Financial Instruments		Current Financial Instruments		Total
	Bank Borrowings and Other Financial Liabilities	Other	Bank Borrowings and Other Financial Liabilities	Other	
Payables	71,070	-	44,400	-	115,470
Payables to Group companies and associates (Note 18.2)	-	83,781	-	1,707	85,488
Other financial liabilities	541,711	-	212,555	-	754,266
Total	612,781	83,781	256,955	1,707	955,224

2013

Categories	Class	Thousands of Euros				Total
		Non-Current Financial Instruments		Current Financial Instruments		
		Bank Borrowings and Other Financial Liabilities	Other	Bank Borrowings and Other Financial Liabilities	Other	
Payables		174,959	-	97,671	-	272,630
Payables to Group companies and associates (Note 18.2)		-	84,433	-	1,503	85,936
Other financial liabilities		427,217	-	168,888	-	596,105
Total		602,176	84,433	266,559	1,503	954,671

The detail, by maturity date, of "Non-Current Payables", "Current Payables", "Non-Current Payables to Group Companies and Associates" and "Current Payables to Group Companies and Associates" at 31 December 2014 and 2013 is as follows:

	Thousands of Euros					
	2015	2016	2017	2018	Subsequent Years	Total
Syndicated credit facility	1,641	789,974	-	-	-	791,615
Participating loan and interest	4	59,999	-	-	-	60,003
Mortgage loans	-	9,653	2,436	1,257	959	14,305
Non-current payables to Group companies and associates and interest	1,707	83,781	-	-	-	85,488
Interest on borrowings	3,080	733	-	-	-	3,813
	6,432	944,140	2,436	1,257	959	955,224

Syndicated credit facility

On 27 September 2013, having met the conditions precedent set forth in the financing agreement, the Company formalised the 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 at the time, 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 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.

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 following schedule contained in the financing agreement.

Date	Thousands of Euros
30 June 2014	5,246
31 December 2014	2,613
30 June 2015	2,231
31 December 2015	3,731
30 June 2016	777,966
	791,787

The established interest rate is Euribor plus a spread of 200 basis points. The Company 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 Company undertakes to meet all the milestones established in the property divestment plan relating to finished properties.
- The Company 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 Company undertakes to formalise a restructuring mandate with an international bank of renowned prestige to carry out an organised process to attract investors to invest in the Company and to divest the interests of the asset-holding 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 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 433,093 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, the Company reclassified this debt 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 Company reclassified the debt assigned to KSAC Europe Investments, S.a.r.l. from "Bank Borrowings" to "Non-Current Payables - Other Financial Liabilities".

Lastly, on 29 August KSAC 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 Company made partial obligatory repayments amounting to EUR 5,773 thousand. In addition, in 2014 the Company 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 Company 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 Company. 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 Company 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 Company 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 Company and the bank syndicate on 26 July 2013 and effective from 27 September 2013 also 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 Company 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.

Mortgage loans

As a result of the agreement for the refinancing of the syndicated credit facility, the Company 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 Company'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.

At 31 December 2014, the Company 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).

Payable to Group companies and other

At 31 December 2014, the Company held a loan from the Group company Retingle S.L. for EUR 11,781 thousand maturing in January 2016. The applicable interest rate, Euribor plus 75 basis points, is payable in March, September and November.

Also, at 31 December 2014, the Company held a loan from Realia Patrimonio, S.L.U. maturing in 2016. Since the loan was arranged on condition of the syndicated loan being granted, the loan was renewed in 2013 and the maturity was deferred to 1 July 2016. At 31 December 2014, EUR 72,000 thousand had been drawn down against this loan, and the interest accrued thereon was Euribor plus 75 basis points.

The payables falling due in 2015 include mainly accounts payable to companies in the consolidated tax group amounting to EUR 1,412 thousand (31 December 2013: EUR 1,449 thousand).

15. Trade and other payables

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

	Thousands of Euros	
	2014	2013
Payable to suppliers -		
Payable to suppliers for purchase of land -		
Without payment instruments	3,120	2,164
Trade notes	-	942
Payable to other suppliers	4,083	7,648
Payable to suppliers - Group companies and associates	91	190
Sundry accounts payable	763	1,640
Employee receivables	16	11
Other accounts payable to public authorities (Note 16.1)	1,820	4,352
Customer advances (Notes 10 and 4-j)	3,988	6,439
	13,881	23,386

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

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:

	%	
	Amounts Paid and Payable at Year-End	
	2014	2013
Paid in the maximum payment period	100%	100%
Remainder	0%	0%
Total payments made in the year	100%	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 which, 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", "Payable to Suppliers - Group Companies and Associates" and "Sundry Accounts Payable" under "Current Liabilities" in the 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 Company in 2014 under Law 3/2004, of 29 December, 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 Additional Provision Three, at 31 December 2014 and 2013 the Company 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.

16. Tax matters

The Company has filed consolidated tax returns as parent of the tax group since 2007. A consolidated tax group, as regulated in Title VII, Chapter VII 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%.

The tax group number assigned is 135/07.

16.1 Current tax receivables and tax payables

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

Tax receivables

	Thousands of Euros	
	2014	2013
VAT/Canary Islands general indirect tax refundable	2	260
Income tax refundable	2,314	883
Total	2,316	1,143

Tax payables

	Thousands of Euros	
	2014	2013
Tax withholdings payable	188	214
VAT and Canary Islands general indirect tax payable	660	1,481
Accrued social security taxes payable	61	78
Other	911	2,579
Total	1,820	4,352

"Other" includes basically local taxes (tax on increase in urban land value, taxes on economic activities, etc.).

16.2 Reconciliation of the accounting loss to the tax loss

The reconciliation of the accounting loss to the tax loss for income tax purposes is as follows:

2014

	Thousands of Euros		
	Income Statement		
	Increase	Decrease	Total
Loss before tax			(19,858)
Income tax:			
Permanent differences -			82
<i>Life insurance contributions</i>	82	-	
Temporary differences-			
Arising in the year -			30,558
<i>Investment securities</i>	5,004	-	
<i>Inventory write-downs</i>	5,500	-	
<i>Impairment of investment property</i>	1,161	-	
<i>Non-deductible finance costs</i>	17,609	-	
<i>Non-deductible depreciation and amortisation charge</i>	147	-	
<i>Other provisions</i>	1,137	-	
Arising in prior years -			(6,983)
<i>Investment securities</i>	-	(91)	
<i>Impairment of loans</i>	-	(1,646)	
<i>Inventory write-downs</i>	-	(3,926)	
<i>Other provisions</i>	-	(1,320)	
Offset of prior years' tax losses			-
Taxable profit			3,799

The temporary differences in 2014 relate mainly to adjustments to investment securities, impairment of finished products and to a limitation on the deductibility of finance costs and depreciation and amortisation charges.

2013

	Thousands of Euros		
	Income Statement		
	Increase	Decrease	Total
Loss before tax			(62,181)
Income tax:			
Permanent differences -			57
<i>Surcharges and penalties</i>	2	-	
<i>Life insurance contributions</i>	55	-	
Temporary differences-			
Arising in the year -			20,040
<i>Investment securities</i>	8,190	-	
<i>Impairment of loans</i>	1,646	-	
<i>Non-deductible finance costs</i>	4,833	-	
<i>Non-deductible depreciation and amortisation charge</i>	153	-	
<i>Excessive impairment</i>	3,926	-	
<i>Other provisions</i>	1,292	-	
Arising in prior years -			(6,738)
<i>Investment securities</i>	-	(697)	
<i>Other provisions</i>	-	(6,041)	
Offset of prior years' tax losses			-
Taxable profit			(48,822)

The temporary differences in 2013 relate mainly to adjustments to investment securities, various provisions and excessive impairment of finished product and to a limitation on the deductibility of finance costs and depreciation and amortisation charges.

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

2014

Year Incurred	Thousands of Euros					
	Tax Losses Companies in the Tax Group	Parent Subsidiaries	Total Tax Loss	Consolidation Adjustments (Dividends/ Investment Securities)	Total Tax Loss of Tax Group	Tax Asset Recognised (25%)
2008	21,185	(15,807)	5,378	59,636	65,014	16,254
2009	43,221	(27,005)	16,216	11,475	27,691	6,923
2010	52,849	10,230	63,079	550	63,629	15,907
2011	45,804	1,347	47,151	17,725	64,876	16,219
2012	259,437	(24,581)	234,856	11,968	246,824	21,791
2013	48,583	(31,337)	17,246	13,879	31,125	(6,526)
2014	(3,799)	18,651	14,852	21,066	35,918	(474)
	467,280	(68,502)	398,778	136,299	535,077	70,094

2013

Year Incurred	Last Year for Offset	Thousands of Euros					
		Tax Losses Companies in the Tax Group	Parent Subsidiaries	Total Tax Loss	Consolidation Adjustments (Dividends/ Investment Securities)	Total Tax Loss of Tax Group	Tax Asset Recognised
2008	2026	21,185	(15,807)	5,378	59,636	65,014	19,505
2009	2027	43,221	(27,005)	16,216	11,475	27,691	8,307
2010	2028	52,849	10,230	63,079	550	63,629	19,089
2011	2029	45,804	1,347	47,151	17,725	64,876	19,463
2012	2030	259,437	(24,581)	234,856	11,968	246,824	26,149
2013	2031	48,821	(11,607)	37,214	9,728	46,942	(2,643)
		471,317	(67,423)	403,894	111,082	514,976	89,870

In 2014 the Company derecognised tax loss carryforwards amounting to EUR 1,897 thousand and adjusted the recoverable amount of the tax loss carryforwards recognised in accordance with the new applicable tax legislation (see Note 16.4).

The consolidation adjustments arose due to the elimination of dividends paid among the various companies composing the tax group. The elimination thereof led to a reduction in tax credit carryforwards, which were used to increase the tax group's tax loss carryforwards. They also include eliminations of investment valuation allowances, thus giving rise to a transfer of tax loss carryforwards to deferred tax assets due to portfolio adjustments.

The Company only recognises deferred tax assets associated with tax losses that the directors expect to be recovered (see Note 4-i), within the periods allowed by current legislation. At 31 December 2014, the Company had unrecognised tax loss carryforwards amounting to EUR 254,701 thousand.

16.3 Reconciliation of the accounting loss to the income tax expense

The reconciliation of the accounting loss to the income tax expense in 2014 and 2013 is as follows:

	Thousands of Euros	
	2014	2013
Accounting loss before tax	(19,858)	(62,181)
Permanent differences	82	57
Unrecognised temporary differences	23,535	19,888
Tax loss generated in the year but not recognised (*)	-	48,821
Total tax base	3,759	6,585
Tax charge at 30%	(1,128)	(1,976)
Effect of temporary differences	-	-
Tax credits:		
Double taxation	1,140	-
Other	(21,481)	(3)
Total income tax benefit/(expense) recognised in the income statement	(21,469)	(1,979)

(*) In 2012-14 the Company recognised tax credit and tax loss carryforwards up to the limit of the recoverable amount based on the directors' best estimate (see Note 4-i). The Company did not recognise unused tax loss carryforwards (25%) of the tax group amounting to EUR 8,980 thousand in 2014.

"Other" includes the impact of the adjustment of the measurement of the deferred tax assets and liabilities, amounting to EUR 21,481 thousand, arising from the entry into force of Spanish Income Tax Law 27/2014.

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

	Thousands of Euros	
	2014	2013
Deferred tax, net (Notes 16.4 and 16.5)	(21,469)	(1,979)
Total tax benefit/(expense)	(21,469)	(1,979)

16.4 Deferred tax assets recognised

The detail of "Deferred Tax Assets" at 31 December 2014 and 2013 is as follows:

Deferred Tax Assets	Thousands of Euros	
	2014	2013
Temporary differences:		
Impairment losses recognised on investment securities - 2012	13,469	16,165
Impairment losses recognised on investment securities - 2011	1,167	1,400
Impairment losses recognised on investment securities - 2010	24	52
Impairment losses recognised on investment securities - 2009	100	121
Impairment losses recognised on investment securities - 2008	664	797
Non-deductible finance costs	7,908	9,490
Non-deductible depreciation and amortisation charge	76	46
Provision for charges	674	817
Elimination of provisions in tax consolidation	700	2,250
Other	114	138
Tax assets recognised	89,117	111,017
Total deferred tax assets	114,013	142,293

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 reduced from its current rate of 30% to 28% for 2015 and to 25% for subsequent years.

Accordingly, the Company adjusted the valuation of the deferred tax assets and liabilities recognised at 31 December 2014 at the tax rates at which it expects them to be recovered. The effect of the adjustment to the deferred tax assets at the applicable tax rates gave rise to an expense of EUR 21,495 thousand which is recognised under "Income Tax" in the accompanying income statement.

The tax asset recognised of EUR 89,117 thousand relates to the amount deductible of the tax losses incurred from 2008 to 2014 (amounting to EUR 70,094 thousand, as detailed in Note 16.2) and to tax credit carryforwards amounting to EUR 19,023 thousand, the detail being as follows:

	Last Year for Offset	Thousands of Euros					
		Tax Credit Carryforwards		Total Tax Credits	Consolidation Adjustments (Dividends)	Unrecognised Tax Credits	Total Recognised Tax Credits of Tax Group
		Companies	in the Tax Group				
Parent	Subsidiaries						
2008	2015	16,865	544	17,409	(15,120)	-	2,289
2009	2016	3,126	6,091	9,217	(3,000)	-	6,217
2010	2017	605	170	775	(450)	-	325
2011	2018	3,359	7,717	11,076	(5,401)	-	5,675
2012	2019	3,187	2,998	6,185	(3,185)	-	3,000
2013	2020	1,664	2,049	3,713	(2,432)	64	1,217
2014	2022	4,558	2,020	6,578	(5,265)	1,013	300
		33,364	21,589	54,953	(34,853)	1,077	19,023

The majority of unused tax credits recognised under "Total Tax Credits", relate to the tax credit for double taxation of dividends applicable to the head of the tax group and the Group companies which, following consolidation eliminations, are converted into tax losses of the consolidated tax group.

16.5 Deferred tax liabilities

The detail of "Deferred Tax Liabilities" at 31 December 2014 and 2013 is as follows:

	Thousands of Euros	
	2014	2013
Investment securities - 2012	13	16
Investment securities - 2010	11	13
Investment securities - 2008	44	53
Total deferred tax liabilities	68	82

Spanish Income Tax Law 27/2014 was approved in 2014. The changes introduced (see Note 16.4) entailed an adjustment to the amount at which deferred tax liabilities may be settled, which led to the recognition of a reduction of EUR 14 thousand under "Income Tax" in the accompanying income statement.

16.6 Years open for review and tax audits

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired. At 2014 year-end the Company had 2011 to 2014 open for review by the tax authorities for all the state taxes applicable to it, except for income tax, for which it has all years since 2010 open for review. The Company's directors consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying financial statements.

17. Income and expenses

17.1 Revenue

The sales figure relates in full to sales made in Spain.

The detail of sales, by type of revenue, for 2014 and 2013 is as follows:

Line of Business	Thousands of Euros	
	2014	2013
Revenue from the sale of property developments and land	21,565	22,144
Rent revenue (Note 7)	150	150
Revenue from the rendering of services	2,402	2,803
	24,117	25,097

The breakdown, by geographical market, of the revenue for 2014 and 2013 is as follows:

Geographical Market	Thousands of Euros	
	2014	2013
Spain:		
Andalusia	3,103	2,560
Madrid	13,562	14,342
Castilla-La Mancha	4	210
Catalonia	4,990	2,341
Valencia	484	4,303
Castilla y León	1,326	791
The Canary Islands	648	550
	24,117	25,097

17.2 Procurements

The detail of "Procurements" at 31 December 2014 and 2013 is as follows:

	Thousands of Euros	
	2014	2013
Purchases and procurements	3,056	(9,327)
Write-down of land and building lots	(5,159)	(30,269)
	(2,103)	(39,596)

In 2014 the disposal of the land in Valdemoro R-7, the revaluation of the consideration for the "Teatinos" asset and the reversal of the accrual for the capitalised costs associated with the tax on increases in urban land value of completed property developments, together with the low activity levels in the property development business, gave rise to a positive balance of purchases and procurements amounting to EUR 3,056 thousand. (Note 10)

17.3 Detail of purchases by origin

The Company made all its purchases in 2014 and 2013 in Spain.

17.4 Employee benefit costs

The detail of "Employee Benefit Costs" in 2014 and 2013 is as follows:

	Thousands of Euros	
	2014	2013
Employee benefit costs:		
Contributions to pension plans (Note 4-m)	(253)	(315)
Other employee benefit costs	(891)	(1,113)
	(1,144)	(1,428)

17.5 Finance income and finance costs

The detail of the finance income and finance costs in 2014 and 2013 is as follows:

	Thousands of Euros	
	2014	2013
Income from investment securities (Note 9.1):		
Retingle	196	251
Realia Patrimonio	18,037	6,097
Valaise	-	299
Finance Income	221	920
Income from debt reduction (Note 14)	-	17,537
Other finance income	1,393	377
Total finance income	19,847	25,481
Borrowings costs (Note 14)	(19,890)	(23,039)
Capitalised borrowing costs (Note 10)	-	338
Other finance costs	(132)	(1,939)
Total finance costs	(20,022)	(24,640)
Impairment losses on investment securities in Group companies and associates (Note 9.1)	(5,712)	(7,510)
Impairment of loans to Group companies and associates (Note 9.2)	1,646	(1,678)
Other impairment losses (Note 10)	(1,136)	-
Financial loss	(5,377)	(8,347)

Pursuant to the ruling contained in Official Gazette of the Spanish Accounting and Audit Institute 79 (BOICAC 79) relating to the recognition by holding companies of income from equity investments, this income was not reclassified as revenue since it was considered that the Company's business activity is purely industrial and, accordingly, the shareholdings in Group companies relate to the corporate organisation itself and under no circumstances can its ordinary activity be considered to include the activity of a holding company.

18. Related party transactions and balances**18.1 Related party transactions**

The detail of the transactions with related parties in 2014 and 2013 is as follows:

2014

	Thousands of Euros	
	Group Companies	Associates
Sales	150	-
Services rendered and received	1,974	305
Land and building lots used	-	(12)
Construction work and services performed by other companies	-	86
Non-core and other current operating income	110	-
Outside services	(456)	(221)
Dividends (Notes 9.1 and 17.5)	18,233	-
Finance Income	114	107
Finance costs	(955)	-
	19,170	265

2013

	Thousands of Euros	
	Group Companies	Associates
Sales	150	-
Services rendered and received	2,339	455
Land and building lots used	-	(27)
Construction work and services performed by other companies	-	264
Non-core and other current operating income	211	-
Outside services	(458)	(259)
Dividends (Notes 9.1 and 17.5)	6,647	-
Finance Income	456	465
Finance costs	(961)	(1,947)
	8,384	(1,049)

18.2 Related party balances

The detail of the on-balance sheet balances with related parties at 31 December 2014 and 2013 is as follows:

At 2014 year-end

	Thousands of Euros	
	Group Companies	Associates
Non-current financial assets:		
Equity instruments (Note 9.1)	577,516	14,929
Other non-current assets	59	-
Trade receivables (Note 11)	540	470
Current financial assets:		
Loans to companies (Note 9.2)	1,327	4,793
Cash and cash equivalents	-	30,749
Non-current payables (Note 14)	(83,781)	-
Current payables (Note 14)	(1,692)	(15)
Trade payables	(3)	(88)
	493,966	50,838

At 2013 year-end

	Thousands of Euros	
	Group Companies	Associates
Non-current financial assets:		
Equity instruments (Note 9.1)	579,749	15,534
Other non-current assets	165	-
Trade receivables (Note 11)	3,773	467
Current financial assets:		
Loans to companies (Note 9.2)	15,924	5,157
Cash and cash equivalents	-	21
Non-current payables (Note 14)	(84,433)	-
Current payables (Note 14)	(1,500)	(3)
Trade payables	(7)	(183)
	513,671	20,993

18.3 Remuneration of the 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

	Average No. of Persons	Thousands of Euros			
		Salaries	Bylaw-Stipulated Emoluments	Pension Plans	Insurance Premiums and Other
Directors	10	1,317	637	25	44
Senior executives	4	1,124	-	42	6
	14	2,441	637	67	50

2013

	Average No. of Persons	Thousands of Euros			
		Salaries	Bylaw- Stipulated Emoluments	Pension Plans	Insurance Premiums and Other
Directors	10	1,094	634	25	38
Senior executives	5	952	-	54	7
	15	2,046	634	79	45

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

18.4 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., in which they 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 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 I.
- 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 Marín 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.L.U. 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.

19. Information on the environment

In view of the business activities carried on by the Company, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results.

20. Other disclosures

20.1 Headcount

The average number of employees, by professional category, in 2014 and 2013 was as follows:

Professional Category	Number of Employees	
	2014	2013
Directors	2	2
Senior executives	4	5
Management and university graduates	23	30
Other line personnel and further education college graduates	8	12
Clerical staff	12	19
	49	68

At 31 December 2014, the number of employees at the Company was 49 (31 December 2013: 50).

Also, the headcount at the end of 2014 and 2013, by gender and category, was as follows:

Professional Category	2014		2013	
	Men	Women	Men	Women
Directors	2	-	2	-
Senior executives	3	1	3	1
Management and university graduates	13	10	14	10
Other line personnel and further education college graduates	8	-	8	-
Clerical staff	4	8	4	8
	30	19	31	19

20.2 Fees paid to auditors

In 2014 and 2013 the fees for financial audit and other services provided by the Company's auditors, Deloitte, S.L., or by a firm in the same group or related to the auditors, were as follows:

2014

	Services Rendered by the Financial Auditor and by Related Companies
Audit services	85
Other attest services	27
Total audit and related services	112
Other services	149
Total professional services	261

2013

	Services Rendered by the Financial Auditor and by Related Companies
Audit services	90
Other attest services	310
Total audit and related services	400
Other services	174
Total professional services	574

21. Events after the reporting period

At the date of authorisation for issue of these 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 (CNMV) 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.

22. Explanation added for translation to English

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Company in Spain (see Note 2.1). Certain accounting practices applied by the Company 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.

Directors' Report for the year ended 31 December 2014

THE COMPANY AND ITS ORGANISATIONAL AND OPERATING STRUCTURE:

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 are focused mainly on two lines of business:

a) **PROPERTY MANAGEMENT:** this activity is carried on through the company heading the subgroup: Realia Patrimonio S.L. (wholly owned by Realia Business S.A.) and through its controlling interests in investees. This activity is carried on entirely in Spain.

These equity investments represent around 48% of the value of the asset side of the Company's balance sheet.

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

This 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) The Canary Islands

Activities abroad are carried on by (directly or indirectly) wholly-owned subsidiaries of Realia Business.

Realia Business S.A. is listed on the Spanish Stock Market Interconnection System in Madrid and its most important shareholders 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 an area sales office in each geographical region where the Company 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.

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 the Realia Group 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. At consolidated level, the profit on the sale of SIIC de Paris was recognised in the consolidated statement of profit or loss under "Profit from Discontinued Operations" (EUR 1.9 million) and in the profit attributable to the Parent (EUR 4.2 million).

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:

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 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 sole shareholder, Realia Business, and, therefore, there was no change in either the method or the percentage of consolidation.

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

BUSINESS EVOLUTION AND RESULTS -SIGNIFICANT AGGREGATES:

Revenue:

Revenue totalled EUR 24.1 million, 90.0% of which relates to the delivery of property developments, and the remainder to services provided. This figure declined by 3.9% on 2013, mainly because the Company made no sales of land in 2014, compared with two plots of land sold in 2013 totalling EUR 3.4 million. Excluding the impact of these sales, revenue from property units delivered (homes, commercial premises and offices) in the property development business rose by EUR 2.8 million, or 14.8%.

In addition to the adverse factors which have characterised the sector since 2008 (developer credit crunch, high unemployment rate, labour market reform, lack of confidence, sector restructuring, creation of the Bank Restructuring Asset Management Company (SAREB), emergence of new market players, such as asset holding banks, funds, etc.), several signs of a boost in demand were evidenced in the first three quarters of the year (improved levels of confidence, employment, GDP, buyer financing, etc.). However, this trend did not consolidate fully in the last quarter of 2014.

EBITDA:

EBITDA was negative and amounted to EUR 14.6 million, down 16.8% on 2013. This decline is explained by the fall in revenue described above and the lower gross margin contributed by the products delivered in 2014 with respect to 2013.

Depreciation and amortisation charge, write-downs and provisions:

The depreciation and amortisation charges relate to non-current assets of Realia Business and they are scanty material.

Net inventory write-downs had a negative impact of EUR 1.3 million in 2014 (2013: EUR 50.4 million).

The inventory write-downs relate to the land, property developments under construction and completed property developments held by the Company, following the adjustment of the carrying amount thereof to the market value established in the appraisals carried out by an independent valuer in accordance with Ministry of Economy Order ECO/805/2003. Appraisals carried out in accordance with the Ministry of Economy Order were performed for the first time at Realia in 2012. All of Realia Business' assets are measured at historical cost and were not revalued for mergers or marked to market, thereby ensuring that the measurements made conform with the most realistic asset measurement principles.

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 2 million on income. This reversal relates mainly to the resolution of litigation and to the discharging of risks arising from product after-sales, due to the decrease in the number of assets under warranty.

The Company also recognised impairment losses of EUR 5.2 million on financial instruments, which basically relate to its portfolio of investments in subsidiaries engaging mainly in property development. This loss on the Company's portfolio of investments in subsidiaries was disclosed by comparing the carrying amount of the portfolio with the company's equity and unrealised gains on its underlying assets. These provisions were also calculated using mainly the appraisals, carried out in accordance with the aforementioned Ministry of Economy Order, of the property development assets held by the various subsidiaries.

Net financial loss:

Net financial loss totalled EUR 5.4 million, the detail being as follows:

Finance Income	EUR 19.8 million
Finance costs	EUR -20.0 million
Impairment and gains or losses on disposals of financial instruments	EUR -5.2 million

Finance income arose from dividends of EUR 18.2 million received from subsidiaries; the remainder, EUR 1.6 million, was basically interest earned on cash surpluses and loans to subsidiaries (2013: EUR 6.6 million and EUR 1.7 million, respectively). In 2013 the Company obtained atypical finance income of EUR 17.1 million on the repurchase at a discount of a loan with a bank.

In 2014 borrowing costs amounted to EUR 20 million, down 18.7% on 2013, due to the fall in interest rates and the reduction in bank borrowings.

Impairment losses on financial instruments (down 43.4% on EUR -9.2 million in 2013) arose mainly as the various investments in subsidiaries were adjusted for them to reflect their equity value.

Income tax:

Although the Company has a pre-tax loss and no recognised tax loss and tax credit carryforwards, it adjusted its tax loss and tax credit carryforwards from prior years to the 25% tax rate applicable under the tax reform until 2016. This adjustment had a negative effect of EUR 21.5 million on the income statement.

Net loss:

The Company reported an attributable post-tax loss of EUR 41.3 million, a 35.6% improvement on the EUR 64.2 million loss reported in 2013.

This improvement in the net loss was due mainly to the reduction in the impairment losses on land and other assets, as discussed above, and to the improvement in overheads and financial results arising from the favourable impact of interest rates and the lower impairment losses on equity investments.

In keeping with its prudent stance, since 2012 the Company has ceased to recognise tax assets, despite their long recoverability period.

Asset and portfolio information:

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

Property development

Period pre-sales	2014	2013	% Change
In millions of Euros	16.6	16.0	3.8%
In units (1)	112	95	17.4%

(1) The property units include housing units, offices and commercial premises and are net units. Gross reservations totalled 122 units.

Pre-sales grew 17.4%, keeping a good pace in the first three quarters of the year, but stagnated in the last quarter.

The pre-sales portfolio at 2014 year-end amounted to EUR 2.96 million, corresponding to 17 property units. The land reserve amounts to 1.11 million buildable m².

Financial position:

Since the execution in 2013 of the refinancing agreement effective until 30 June 2016, it has been noted that the conditions which might cause its acceleration, and consequently the loss of its full effectiveness, have not occurred. The features of the agreement continue to be the following:

- 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, EUR 12.2 million were repaid early under paragraph e) above, i.e. a degree of compliance of 154.4% with the obligatory repayment of EUR 7.9 million provided for in the syndicated loan agreement at 31 December 2014, and compliance of 88.4% with the obligatory repayment of EUR 13.8 million provided for in the syndicated loan agreement until December 2015. It is considered that there is no risk of default on the obligatory repayment schedule established under the agreement.

The Company took a participating loan from SAREB for EUR 60.0 million (including accrued interest) which may be converted into shares on various dates or windows at a minimum price of EUR 1.92 per share, or be repaid with an established debt reduction, after maturity of the syndicated loan.

The debt structure of Realia Business is as follows:

Millions of Euros	2014	2013	% Change
Syndicated loan	791.6	786.0	
Transferable mortgage loans	14.3	20.9	
Interest	3.2	3.3	
Total gross bank and similar borrowings (1)	809.1	810.2	-0.14%
Cash and cash equivalents	45.7	15.7	
Total net bank and similar borrowings (1)	763.4	794.5	-3.91%
Participating loans (including interest)	60.0	58.5	
Total net financial and similar debt	823.4	853.0	-3.47%

(1) Excluding debt arrangement expenses and including the loans and accrued interest.

Realia Business S.A. did not arrange any hedging instruments on its gross bank borrowings.

Valuation of assets:

The assets allocated to the land and residential development business, 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 valuations can be summarised as follows:

Millions of Euros	2014	2013
Valuation of property management assets	8.1	7.3
Valuation of property development and land assets	395.0	431.5
Valuation of equity investment assets	1,197.5	1,194.1
TOTAL VALUE OF ASSETS	1,600.6	1,632.9

In 2013 "Valuation of Equity Investment Assets" was adjusted, for comparability purposes, by the percentage attributed to the Realia Group, for SIIC de Paris and Setecampos, involving amounts of EUR 936.3 million and EUR 2.1 million which were transferred in 2014.

The decline in value of the assets earmarked for property development and land was due mainly to continuing to adopt realistic appraisal criteria such as those established in the aforementioned ECO order, and the sale of assets (finished product and land) that have not been replaced. The same approach was adopted to appraise most of the assets earmarked for property development held by the various Realia Group consolidated companies.

The assets earmarked for lease, which are mainly being recognised under "Valuation of Equity Investment Assets" in the foregoing table, performed better and showed a certain degree of stability, and also include a new asset acquired by the investee Hnos. Revilla, located at C/Goya 29 (Madrid).

Stock market data – Dividends and earnings per share

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 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 Company 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 13.7 million, which the Company wrote down due to the related risk, estimated at EUR 8.3 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 income statement. 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 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-sale transactions, led to estimated collections of EUR 46.1 million which, together with estimated payments of EUR 35.4 million, gave rise to a positive net cash flow of EUR 10.7 million, which will be used to repay debt.

Solvency risk

At 31 December 2014, the net bank and similar borrowings of Realia Business amounted to EUR 763.4 million, as shown in the following table:

Thousands of Euros	2014
Gross bank borrowings	
Syndicated credit facility	791.6
Mortgage loans	14.3
Interest	3.2
Cash and cash equivalents	45.7
Net bank borrowings	763.4

Taking into consideration the above net bank and similar borrowings, plus the debt attributable to the percentage of ownership in the Company's subsidiaries, amounting to EUR 300.1 million, set forth below is a detail of the carrying amount of the assets of the Realia Business, S.A. Group:

Millions of Euros	2014
Valuation of property management assets	8.1
Valuation of property development and land assets	395
Valuation of equity investment assets	1,197.50
TOTAL VALUE OF GROUP ASSETS	1,600.60

The Company's LTV ratio was, therefore, 66.4%.

In 2014 the Company had negative EBITDA of EUR 14.6 million, which was to be used to cover a financial loss amounting to EUR 0.2 million.

At 2014 year-end the Company had working capital of EUR 153.7 million.

Foreign currency risk

The Realia Business Group does not have any material foreign currency risk.

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. 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.

Research and development:

The production activities of Realia Business 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 the 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 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 the Realia Group 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 directors' report, the ongoing depreciation of land assets has positioned these assets at very attractive values, thus enabling them to create value for the Company. 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 income statement 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 financial debt 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 these sales the gross above-grade level leasable area was 418,856 m² and the LTV of this property management area was at an all-time low of 26.3%.

The primary objective of the Group for 2014 is the reinvestment of the cash earned from the aforementioned sales based on two basic assumptions:

- a) Quality assets in similar locations to the assets in the current portfolio.
- b) 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 vacancy 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 88.7% 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

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 SPÓLKA 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
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