Annual Report

for the year ended 31 December 2012

9, Boulevard Prince Henri

L 1724 Luxembourg

R.C.S. Luxembourg: B 165 103

Table of contents

Management Report

for the year ended 31 December 2012

Management Report

for the year ended 31 December 2012

The Directors have pleasure in presenting their report, which constitutes the management report ("Management Report") as defined by Luxembourg Law, together with the audited consolidated financial statements and annual accounts as of 31 December 2012, and for the accounting year then ended. As permitted by Luxembourg Law, the Directors have elected to prepare a single Management Report covering both the Company and the Group. The management report relates to the consolidated financial statements and the annual accounts for the year ended 31 December 2012.

1. Background and origin

"SAINT CROIX HOLDING IMMOBILIER, SOCIÉTÉ ANONYME" (hereinafter, the "Company") is a limited liability Company (société anonyme), incorporated under the laws of Luxembourg, having its registered office at 9b, Boulevard Prince Henri, L-1724 Luxembourg, Grand-Duchy of Luxembourg and registered with the Luxembourg Company Register (Registre de Commerce et des Sociétés) under the number B165103. The Company activity includes the holding of equity interests in Luxembourg and/or foreign companies and mainly in Spanish Real Estate Investments Companies ("Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario" (hereinafter referred under the Spanish acronym "SOCIMI") or in other Companies, whether resident or not in Spain, which have a corporate purpose similar to those of Spanish SOCIMIs and which are subject to earnings distribution requirements that are similar to that established by legal or statutory policy for Spanish SOCIMIs. As at 31 December 2012, the Company owns 100% of two SOCIMIs incorporated under Spanish law, COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A. (hereinafter "CIBRA") and COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009, SOCIMI, S.A. (hereinafter "CIRU"), being hereinafter collectively referred to as the Subsidiaries (together with the Company referred to as "the Group").

The Company was incorporated by means of a contribution in kind operation, through which the shareholders of the two Subsidiaries contributed all their shares to the Company (equity), based on the valuation performed by the Board of Directors of the Company on 1st December 2011. The valuation used was derived from the net equity of both Subsidiaries as of 30 September 2011 modified by fair value adjustments, which resulted in the share exchange ratio. By means of this share swap or contribution in kind operation, the Company holds all the shares of the two Subsidiaries. The Company was incorporated with 3,784,368 Shares with a nominal value of EUR 60.10 resulting on an initial share capital of EUR 227,440,517.

On 15 December 2011, the Board decided to increase the share capital with an amount of EUR 40,136,523 through the issuance of 667,829 new shares with a nominal value of

EUR 60.10. On 31 December 2011, the Company's share capital of EUR 267,577,040 is divided into 4,452,197 shares with a nominal value of EUR 60.10 each. There is no class of Shares. The Shares have the same voting rights. The Company may issue further classes of Shares. The Company may also issue new Shares in order to finance acquisitions or to exchange such Shares in case of acquisitions. Such capital increase has been offered for subscription to existing Shareholders and external Shareholders approached for this purpose by the Company. Some of the founders or existing Shareholders have waived their rights for subscription of new Shares but two of them, PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA, S.A. and COGEIN, S.L. subscribed to part of the capital increase (EUR 23,926,050.40). New investors were searched by the Company directly and subscribed to the rest of the capital increase (EUR 16,210,472.50). All Shares of the Company have been issued under Luxembourg Law.

The Shares, representing the entire share capital of the Company, were admitted to trading on the Luxembourg Stock Exchange's regulated market and listed on the Official List of the Luxembourg Stock Exchange as at 21 December 2011. The Shares were accepted for clearance through Euroclear and Clear stream under common code number 072069463. The ISIN code of the Shares of the Company is LU0720694636 and the CBL long name SHS SAINTCROIX HOLDING IMMOBILIER S. A.

On 21 December 2011, all the shares of the Company were admitted to trading on the Luxembourg Stock Exchange. The share market price at 2012 year-end was EUR 60.76 per share.

During the financial year 2012, there has been no corporate operation affecting the Share Capital of the Company.

The Company engages mainly in the operation of leased assets.

2. Origin of the Subsidiaries

The two Subsidiaries wholly owned by the Company were incorporated as a result of two simultaneous partial splits described below:

1. COMPAÑÍA IBÉRICA DE BIENES RAÍCES, 2009, SOCIMI, S.A. (hereinafter "CIBRA") was created from the partial split of another company, ISLA CANELA, S.A., on 29 December 2009. The new Company, CIBRA, was set up with the leased assets of ISLA CANELA, S.A. valued at EUR 103,840,000. The assets were valued by TECNITASA, an independent expert appointed for this purpose by the Mercantile Registry. The deed of the partial split and the incorporation of CIBRA were filed with the Mercantile Registry of Madrid on February 8, 2010 and effective from 30 December 2009 (date of initial entry, and from 1 January 2009 for accounting purposes). The Company's registered office is at Glorieta de Cuatro Caminos, 6-7, Madrid.

2. COMPAÑÍA IBÉRICA DE RENTAS URBANAS, 2009, SOCIMI, S.A. (hereinafter "CIRU") was created from the partial split of another Company, COGEIN, S.L., that took place on 22 December 2009. This new Company, CIRU, was set up with the leased assets of COGEIN, S.L., valued at EUR 107,860,208. The assets were valued by GABINETE DE TASACIONES INMOBILIARIAS, S.A., an independent expert appointed for this purpose by the Mercantile Registry. The deed of the partial split and incorporation of CIRU was filed with Mercantile Registry of Madrid on 26 January 2010, and effective from 29 December 2009 (date of initial entry, and from 1 January 2009 for accounting purposes). The Company registered office is at 60 San Vicente Ferrer Street, Madrid.

3. Subsidiaries´ Corporate Purpose

The bylaws of both Subsidiaries, (wholly owned by the Company), fully comply with the Spanish law 11/2009 of 26 October 2009, on "Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario" (Real Estate Investment Trusts, or its Spanish acronym, SOCIMI)". The **Subsidiaries´ Corporate Purpose** is as follows:

- The acquisition and development of urban properties earmarked for lease. Development activities include the refurbishment of buildings under the terms and conditions established in VAT Law 37/1992, of 28 December.
- The ownership of interests in the share capital of other real estate investment trusts ("REITs" or "SOCIMI") or other companies not resident in Spain with a company object identical to that of the former, which are subject to a regime similar to that established for the REITs in relation to the obligatory profit distribution policy stipulated by law or the bylaws.
- The ownership of interests in the share capital of other companies, resident or not in Spain, the principal company object of which is the acquisition of urban properties earmarked for lease, which are subject to the regime established for REITs in relation to the obligatory profit distribution policy stipulated by law or the bylaws and meet the investment and borrowing requirements referred to in Articles 3 and 7 of Law 11/2009, of 26 October.
- The ownership of shares or investments in property collective investment undertakings governed by Collective Investment Undertakings Law 35/2003, of 4 November.
- The performance of other ancillary financial and non-financial activities that generate rental income, which as a whole represent at least 20% of the Company's rental income in each tax period.

The aforementioned business activities may also be fully or partially carried on indirectly by the Subsidiaries through investments in other companies with a similar object. All activities required by law to meet special requirements that are not met by the Company are excluded.

In view of the business activities currently carried on by the Subsidiaries, 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. Therefore, no specific disclosures relating to environmental issues are included in these notes to the financial statements.

4. Subsidiaries´ Special Regulation

The Subsidiaries are regulated by **Real Estate Investment Trusts Law 11/2009, of 26 October.** Article 3 of Law 11/2009, of 26 October establishes the investment requirements of this type of company:

1. REITs must have invested at least 80% of the value of their assets in urban properties earmarked for lease, in land to develop properties to be earmarked for that purpose, provided that development begins within three years following its acquisition, and in equity investments in other companies referred to in Article 2.1 of Law 11/2009, of 26 October. The value of the asset is calculated based on the average of the quarterly individual balance sheets of the year. To calculate this value, the Company may opt to substitute the carrying amount for the fair value of the items contained in these balance sheets, which will apply to all the balance sheets of the year. The money or collection rights arising from the transfer of the aforementioned properties or investments made in the year or in prior years will not be included in the calculation, as appropriate, provided that, in the latter case, the reinvestment period referred to in Article 6 of Law 11/2009, of 26 October has not expired.
2. Also, at least 80% of the rental income from the tax period corresponding to each year, excluding the rental income deriving from the transfer of the ownership interests and the properties used by the company to achieve its principal object, once the retention period referred to below has elapsed, should be obtained from the lease of properties and dividends or shares of profits arising from the aforementioned investments. This percentage must be calculated on the basis of the consolidated profit if the company is the parent of a group, in accordance with the criteria established in Article 42 of the Spanish Commercial Code, regardless of its place of residence and of the obligation to formally prepare consolidated financial statements. This group must be composed exclusively of REITs and the other companies referred to in Article 2.1 of Law 11/2009, of 26 October.
3. The properties included in the company's assets should remain leased for at least three years. For properties developed by the company, the term will be seven years. The time during which the properties have been made available for lease will be included in calculating this term, with a maximum of one year. The term will be calculated:

a. For properties included in the company's assets before the company avails itself of the regime, from the beginning of the first tax period in which the special tax regime established in Law 11/2009, of 26 October applies, provided that at that date, the asset is leased or made available for lease; otherwise b) shall apply.
b. For properties developed or acquired subsequently by the company, from the date on which they were leased or made available for lease for the first time.
c. In the case of shares or ownership interests in the companies referred to in Article 2.1 of Law 11/2009 of 26 October, they should be retained on the asset side of the company's balance sheet for at least three years following their acquisition or, as appropriate, from the beginning of the first tax period in which the special tax regime established in Law 11/2009, of 26 October applies.

4. In order to ensure adequate diversification of the property investments, the companies' assets must include at least three properties, none of which may represent more than 40% of the company's assets at the date of acquisition. This calculation will be performed on the consolidated balance sheet of the group referred to in Article 2.1 and the company may opt to substitute the carrying amount of the items included in the aforementioned balance sheet with their market value.

As established by Transitional Provision 1 of Real Estate Investment Trusts Law 11/2009, of 26 October, the company may opt to apply the special tax regime under the terms and conditions established in Article 8 of Law 11/2009, even though it does not meet the requirements established therein, provided that such requirements are met within two years after the date of the option to apply that regime.

Non-compliance of this condition implies that the Company will file income tax returns under the general tax regime from the tax period in which the aforementioned condition is not met. The Company will also be obliged to pay, together with the amount relating to the aforementioned tax period, the difference between the amount of tax payable under the general tax regime and the amount paid under the special tax regime in the previous tax periods, including any applicable late-payment interest, surcharges and penalties.

Regulatory update: Notwithstanding the foregoing, Law 16/2012 was approved on 27 December 2012, whereby various tax measures were adopted aimed at consolidating public finances and promoting economic activities, by introducing certain amendments to the tax and legal regimes of Real Estate Investment Trusts (SOCIMI) and also to investment and other requirements. The most noteworthy amendments to the aforementioned Law, which came into force on 1 January 2013, are as follows:

1. Flexibility of entry and of property-holding criteria: there is no minimum to the number of properties that must be contributed in the incorporation of a REIT, except in the case of housing units, where a minimum contribution of eight is

required. Properties must remain on the Company's balance sheet for a minimum period of 3 years, instead of the seven-year period required previously.

2. Lower capital requirements and unrestricted leverage threshold: the minimum capital required has been reduced from EUR 15 million to EUR 5 million, eliminating the restriction on the maximum debt limit of the property investment vehicle.
3. Decrease in distribution of dividends: before this Law came into force, the obligatory distribution of profit was 90%, and this obligation was reduced to 80% from 1 January 2013.
4. A 0% corporate income tax rate was established for REITs. However, when the dividends paid by the REIT to its shareholders with an ownership interest of more than 5% are exempt or taxed at a rate below 10%, the REIT will be subject to a special charge of 19%, which shall be treated as corporate income tax on the amount of the dividend paid to the shareholders. If it applies, this special charge must be paid by the REIT within two months after the dividend payment date.

5. Activity and highlights of the Company

Given the Corporate Purpose of the Company, holding of shares, the Company is the result of the consolidation of two financial investments in Spanish Companies, whose main purposes are the acquisition and/or construction of real-estate assets for lease purpose. During 2012, the total consolidated revenues amounted up to EUR 16.492.470 with consolidated losses from operations of EUR 4,492,011 (27%). This figure includes charges of depreciation and amortization for the amount of EUR 3,573,963 as well as impairment losses amounted up to EUR 14,200,863. The Company has recorded positive net financial result for the amount of EUR 1,928,101. As result, the consolidated losses for the period, after taxes, have amounted up to EUR 2,595,181.

At 31 December 2012, the Company did not hold any treasury shares.

Below there is a comparison table of the Consolidated figures of the Consolidated Profit and Loss Account for the year ended 31 December 2012 in comparison to the prior financial year 2011:

EUR	2012		2011	
Revenues	16,492,470		18,346,386	
EBITDA	**13,174,098**	**80%**	**14,496,018**	**79%**
Depreciation and amortization charge	-3,573,963		-4,855,178	
Impairment losses on assets	-14,200,863		-4,043,318	
Net Result	**-2,595,181**	**-16%**	**5,284,024**	**29%**

Revenues

In 2012, revenues have kept quite similar to the revenues obtained in 2011 with a slight decrease of 10% mainly motivated by the change of lease contract in some assets (hotels) from a management contract in 2011 to a rental contract in 2012. The detail of revenues, square meters and occupancy rate per assets and activity is as follows:

Property	EUR	%	Square meters	Occupancy rate
Meliá Atlántico Hotel	1,840,774	11.16%	30,311	
Barceló Isla Canela Hotel	1,930,500	11.71%	20,494	
Tryp Atocha Hotel	1,749,500	10.61%	9,229	
Iberostar Isla Canela Hotel	1,938,043	11.75%	27,500	
Tryp Cibeles Hotel	1,139,826	6.91%	6,495	
Playa Canela Hotel	1,024,553	6.21%	20,050	
Isla Canela Golf Hotel	274,291	1.66%	4,378	
Hotels	**9,897,487**	**60.01%**	**118,457**	**100.00%**
Pradillo, 42	1,472,017	8.93%	7,252	
Sanchinarro VI	-	-	4,272	
Sanchinarro VII	-	-	3,399	
Coslada III	-	-	4,499	
Vallecas Comercial I	1,200	0.01%	3,282	
Gran Vía 1 - 2° Right	83,485	0.51%	530	
Gran Vía 1 - 1° Right	90,032	0.55%	554	
Gran Vía 1 – 2° Left	74,677	0.45%	430	
Sanchinarro V	-	-	270	
Offices	**1,721,411**	**10.44%**	**24,488**	**35.91%**
Gran Vía, 34	2,482,026	15.05%	3,231	
Plaza de España	1,188,626	7.21%	3,350	
San Antón 25 and 27	276,241	1.67%	1,736	
Vallecas Comercial II	13,800	0.08%	3,370	
Marina Isla Canela Shop. Centre	257,430	1.56%	6,119	
Albalá 7	226,609	1.37%	1,522	
Gran Vía 1 - 1° Left	112,993	0.69%	461	
Dulcinea 4	113,875	0.69%	922	
Caleruega	96,400	0.58%	362	
Rutilo	80,896	0.49%	593	
Commercial premises	**4,848,896**	**29.40%**	**21,666**	**60.14%**
Total rent revenues	**16,467,794**	**99.85%**	**164,611**	**85.22%**
Other revenues	24,676	0.15%	-	-
Total	**16,492,470**	**100.00%**	**164,611**	**85.22%**

It is necessary to point out that 60% of revenues are generated from hotels assets, 10% from offices assets and 30% from commercial premises with an occupancy rate of 85.22% on an average basis. Hotels are fully rented; offices are partially rented with a rate of 35.91% given that the new investments performed during 2012 where concluded during the last quarter and where acquired with no tenant. Commercial premises are rented at 60.14%, also explained by the same reasons than offices. Management of the Company and its Subsidiaries, consider that the occupancy rate will be increased during 2013 with a new goal between 90 and 95%.

In addition, from a geographical point of view, the most part of revenues are generated in Madrid and Huelva (all of them in Spain):

Location	EUR	% (2012)	% (2011)
Madrid	7,737,336	47%	41%
Huelva	7,290,267	44%	58%
Castellón	1,188,626	7%	-
Cáceres	276,241	2%	1%
Total	**16,492,470**	**100%**	**100%**

EBITDA

As a percentage of revenues, it has no variation between years, (80% on revenues). It is an important positive sign of strength in the quality of rental contracts and tenant. Despite the short fall of revenues, the gross margin of the Company remains very similar, calculated as percentage on revenues.

Impairment losses

It has amounted up to by EUR 14,200,863 (2012) in comparison to EUR 4,043,318 (2011). Whenever there are indications of impairment, the Company (through its Subsidiaries) tests the investment property 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. The Subsidiaries commissioned an asset appraisal issued on 31 January 2013 from an independent valuator, CBRE Valuation Advisory, S.A., to determine the fair value of most of its investment property at year-end (excluding the investments made in 2012 from this analysis, since these were appraised specifically for the investment transactions). These appraisals were performed on the basis of the lower of replacement value and market rental value (which consists of capitalizing the net rental income from each property and discounting the future flows). The fair value was calculated using discount rates acceptable to a prospective investor, which were in line with those used in the market for properties of similar characteristics in similar locations. The appraisals were conducted in accordance with the Appraisal and Valuation Standards issued by the Royal Institute of Chartered Surveyors (RICS) of the United Kingdom.

As established by the rules, at 2012 year-end, the Company (through its Subsidiaries) have appraised all of its properties. According to these appraisals, which were performed in most cases for the first time by the independent valuator CBRE Valuation Advisory, S.A., the fair value of certain real estate assets is lower than their carrying amount and, accordingly, the Company has calculated the corresponding impairment losses. The detail of the properties for which it was necessary to recognise an impairment loss thereon is as follows:

Property	EUR
Meliá Atlántico Hotel	1,151,592
Marina Isla Canela shopping Centre	1,029,184
Playa Canela Hotel	772,005
Office at Gran Vía 1	406,437
Vallecas Comercial II	241,337
Isla Canela Golf Hotel	230,369
Coslada III	192,616
Sanchinarro VII	140,113
CIBRA	**4,163,653**
Tryp Atocha Hotel	4,593,608
Plaza de España	3,811,786
Gran Vía 1 - 1° Right	843,819
Gran Vía 1 - 2° Right	655,270
Gran Vía 1 - 1° Left	519,817
San Antón 25 and 27	281,338
Rutilo	142,605
CIRU	**10,848,243**
Total impairment losses	**15,011,896**

In addition, according to the mentioned valuations, the detail of assets for which the Company has reversed impairments in 2012 is shown above. All of them correspond to real estate assets of CIRU:

Property	EUR
Pradillo, 42	413,407
Tryp Cibeles Hotel	190,697
Albalá 7	117,594
Dulcinea 4	89,335
Total impairment losses reversed in 2012	**811,033**

Also, in accordance with the appraisals conducted, the fair value of the property investments of the Company evidences unrecognised unrealised gain (from comparing the updated gross fair market value and the carrying amount) of EUR 30,609,107. Most part of this amount is associated to the premises located at Gran Vía, 34, Madrid (EUR 27,303,034) belonging to CIRU and Barceló Isla Canela Hotel (EUR 2,999,063) belonging to CIBRA.

Dividends

Pursuant to Article 9.2 of Real Estate Investment Trusts Law 11/2009, of 26 October, tax self-assessments are performed on the basis of the proportion of taxable profit for the tax period that corresponds to dividends distributed out of profit for the year. During 2012, the Company has obtained dividends from the Subsidiaries for the amount of EUR 4,055,151 according to the following detail:

Subsidiary	EUR
Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.U. (CIBRA)	3,585,667
Compañía Ibérica de Rentas Urbanas 2009 SOCIMI, S.A.U. (CIRU)	469,484
Total dividends paid in 2012	**4,055,151**

These dividends were received by the Company in 2012 originated by the positive results of the Subsidiaries in 2011. In terms of ratio, it represents a 24.59% of the revenues in 2012 and a 1.52% of the Share Capital. Nevertheless, due to the impairment losses recorded, and as result, the Negative Net Result of the Company for the year ended 31 December 2012 (from a standalone and consolidated point of view), the Company will not distribute dividends in 2013 (from results of 2012).

In addition, only one of the Subsidiaries (CIBRA) has obtained a positive Net Result at the end of 2012 (EUR 199,922). According to the local regulatory requirements, a net amount of EUR 156.295 will be distributed to the Company in 2013 as dividends. At the date of this management report, an anticipated payment of this dividend has already been paid as at 5 March 2013 amounted EUR 100,000.

6. Activity of the Company (through its Subsidiaries)

I. Properties

At 31 December 2012, the Company owns the following Real Estate Assets:

1) **Hotels:** (118,457 square meters representing 72% of the total available surface for rent with a 100% of occupancy rate. These assets generates 60% of total revenues)

The Company is the owner of 5 hotels currently held to earn rentals located in Isla Canela Tourist Resort:

- Hotel Isla Canela Golf: a five star hotel located on a golf course with 58 rooms (116 beds). After the early cancellation of the lease agreement entered into with Vincci Hoteles, S.A. (which took place in 2011) due to non-payment by the latter, which gave rise to the cancellation and to the execution of the bank guarantee for payment of the rent, the Subsidiary has decided to sign a lease agreement with a related party (associated), Isla Canela, S.A., by which this company is currently operating the hotel under a lease contract. The lease was arranged on 31 December 2012 with the related company Isla Canela, S.A., to commence activities on or after 14 January 2013. The term of the lease was extended until 31 December 2014. However, once the initial term has expired, the lease may be extended by three-year periods, provided that an agreement has been reached previously by the parties. The lease provides for annual CPI-linked increases.

- Hotel Barceló Isla Canela: a four star hotel located on the sea front with 350 rooms (700 beds) and held to earn rentals from Barceló Arrendamientos Hoteleros, S.L. The lease commenced on 1 March 2006, expires on 31 December 2022, and is renewable at the discretion of the parties. Also, the parties may terminate the agreement without incurring any penalties in 2017. In relation to future rental income, the agreement provides for annual CPI-linked increases.
- Hotel Iberostar Isla Canela: a four star hotel located on the sea front with 300 rooms (600 beds) and held to earn rentals from Hispano Alemana de Management Hotelero, S.A. the lease commenced on 1 December 2007 and was renewed in 2012. It expires on 31 October 2022 and is renewable at the discretion of the parties. The lease provides for annual CPI-linked increases.
- Hotel Playa Canela: a four star hotel located on the sea front with 202 rooms (404 beds) and held to earn rentals from Grupo Hoteles Playa, S.A. The lease commenced on 15 July 2002, expires on 31 October 2022, and is renewable at the discretion of the parties. The lease provides for annual CPI-linked increases.
- Hotel Meliá Atlántico: a four-star hotel located on the sea front with 359 rooms (718 beds) and operated until 31 October 2012 by RIUSA II, S.A. under lease, and from April 2013 by Meliá Hotels International, S.A., according to the lease arrangement signed in May 2012. The lease will commence in April 2013 for a term of ten years and the parties may terminate it in 2017 without incurring any penalties, provided that certain conditions are met. The lease provides for annual CPI-linked increases.

In addition, the Company is also the owner of 2 hotels located in Madrid:

- Hotel Tryp Cibeles (Hotel Sol Meliá): four-star hotel located at Mesonero Romanos, 13 (Gran Vía- Madrid), with 132 rooms. Operated by Sol Meliá. The lease commenced on 10 February 1998 and expired on 10 February 2008. It was subsequently extended until 15 March 2020, renewable at the discretion of the parties. The lease provides for annual CPI-linked increases.
- Hotel Tryp Atocha: four-star hotel located at Atocha, with 150 rooms and operated by Sol Meliá. The lease commenced on 4 June 1999 and expired on 4 June 2009, and was subsequently extended until 24 March 2022, renewable at the discretion of the parties. The lease provides for annual CPI-linked increases.

2) **Offices:** (24,488 square meters representing 15% of the total available surface for rent with a 36% of occupancy rate. These assets generates 11% of total revenues)

It also owns other rental offices, namely:

- Premises at Pradillo: five premises for office use. The lease commenced on 27 February 2009 and expires on 27 February 2019, renewable at the discretion of the parties. The lease provides for annual CPI-linked increases.

- 47 offices and parking spaces located in the 6, 8, 10 and 12 Manuel Pombo Angulo Street, Madrid (Sanchinarro VI)
- 37 offices and parking spaces located in the 20, 22 and 24 Manuel Pombo Angulo Street, Madrid (Sanchinarro VII)
- 33 offices and parking spaces located in the 85 of Constitución Ave., Coslada (Madrid) (Coslada III)
- 31 offices and parking spaces located in the 2 and 4 Tineo Street, Madrid (Vallecas Comercial I) operated under lease to various lessees
- Premises at Gran Vía, 1: three premises for office use. Current tenants are G2 WORLDWIDE, S.A. (2 offices) and ARKADIN SPAIN SERVICIOS DE TELECONFERENCIA, S.L. (1 office)
- Three offices and parking spaces located in the 14, 16 and 18 Manuel Pombo Angulo Street, Madrid (Sanchinarro V)

3) **Commercial:** (21,666 square meters representing 13% of the total available surface for rent with a 60% of occupancy rate. These assets generates 29% of total revenues)
   - Premises at Gran Vía, 34: two commercial premises in c/Gran Vía. Operated by Inditex (Zara). The lease commenced on 24 April 2000 and expires on 3 May 2025. It is renewable at the discretion of the parties and can be terminated in 2020. The lease provides for annual CPI-linked increases.
   - Premises at Plaza España (Castellón) operated by Inditex (Zara). The lease commenced on 1 July 2007 and expires on 18 November 2023, renewable at the discretion of the parties. The lease provides for annual CPI-linked increases.
   - Premises at San Antón (Cáceres): two commercial premises and eight premises for residential use. The commercial premises are operated by PUNTO ROMA. The lease commenced on 15 July 2005 and expires on 15 December 2035, renewable at the discretion of the parties. The lease provides for annual CPI-linked increases.
   - Three commercial premises and 48 parking spaces located in the 1 and 3 Valderebollo Street, Madrid (Vallecas Comercial II) operated under lease to Inversión y Gestión Acebo 2000, S.L.
   - Marina Isla Canela Shopping Centre: operated under lease by various lessees
   - Premises at Albalá: premises for commercial use. Operated under lease by CAPRABO, S.A. The lease commenced on 31 July 2002 and expires on 31 July 2027. The lessee may terminate the lease in 2016 provided that twelve months' notice is given. The lease provides for annual CPI-linked increases.
   - Property for commercial use on the 1 Gran Vía Street, Madrid. The current tenant is GULA GULA MADRID, S.L.
   - Premises at Dulcinea: basement for commercial use. Operated under lease by JAVISA SPORT, S.L. The lease commenced on 17 February 2003 and expires on 17 February

2018, renewable at the discretion of the parties. The lease provides for annual CPI-linked increases.

- Five commercial premises located on the 66 Caleruega Street, Madrid. The current tenant is Begope Restauración, S.L.
- Premises at Rutilo: five premises for commercial use (ground floor)

The **fair value** of the investment property at the end of 2012 in comparison to the book value detailed by properties is as follows (in euros):

Property	Location	Fair Value	%	Net Book	%
Meliá Atlántico Hotel	Huelva	28,653,000		28,653,000	
Barceló Isla Canela Hotel	Huelva	24,428,000		21.428.937	
Tryp Atocha Hotel	Madrid	24,015,000		24,015,000	
Iberostar Isla Canela Hotel	Huelva	21,439,000		21.411.927	
Tryp Cibeles Hotel	Madrid	19,678,000		19,678,000	
Playa Canela Hotel	Huelva	13,878,000		13,878,000	
Isla Canela Golf Hotel	Huelva	3,555,000		3,555,000	
Hotels		**135,646,000**	**51.45%**	**132,619,864**	**56.90%**
Pradillo, 42	Madrid	16,571,000		16,571,000	
Sanchinarro VI	Madrid	10,396,703		10,396,703	
Sanchinarro VII	Madrid	8,010,247		8,010,247	
Coslada III	Madrid	6,740,472		6,740,472	
Vallecas Comercial I	Madrid	3,910,085		3,910,085	
Gran Vía 1 - 2° Right	Madrid	1,865,770		1,865,770	
Gran Vía 1 - 1° Right	Madrid	1,725,000		1,725,000	
Gran Vía 1 – 2° Left	Madrid	1,480,230		1,480,230	
Sanchinarro V	Madrid	644,450		644,450	
Offices		**51,343,957**	**19.47%**	**51,343,957**	**22.03%**
Gran Vía, 34	Madrid	47,824,000		20.520.966	
Plaza de España	Castellón	11,082,000		11,082,000	
San Antón 25 and 27	Cáceres	3,451,000		3,451,000	
Vallecas Comercial II	Madrid	3,660,342		3,660,342	
Marina Isla Canela Shop. Centre	Huelva	2,614,000		2,614,000	
Albalá 7	Madrid	2,614,000		2,614,000	
Gran Vía 1 - 1° Left	Madrid	1,778,000		1,778,000	
Dulcinea 4	Madrid	1,359,000		1,359,000	
Caleruega	Madrid	1,255,000		975.064	
Rutilo	Madrid	1,046,000		1,046,000	
Commercial premises		**76,683,342**	**29.08%**	**49,100,372**	**21.07%**
Total		**263,673,299**	**100.00%**	**233,064,193**	**100.00%**

II. Investments and disposals in 2012

The main additions recognised under "Investment Property" in 2012 relate to the purchase from a related company (Promociones y Construcciones, PYC, PRYCONSA, S.A.), of various property assets in six completed developments located in Sanchinarro, Vallecas and Coslada (Madrid), with the intention of being leased by the Company as offices. The acquisition cost of these properties was EUR 33,974,585, which was fully paid in cash. This acquisition cost was determined through appraisals of the properties conducted by independent valuators not related to the Company (TASASUR and TINSA). This operation was performed by CIBRA.

In addition, some minor investments have been carried out during 2012 in both Subsidiaries with regards to repairing works in real estate assets that enlarge the useful life of the mentioned assets.

No disposals have been performed during the current financial year.

III. Acquisition of treasury shares

At 31 December 2012, la Company did not hold any treasury shares. No transactions involving treasury shares were performed in 2012.

IV. Bank borrowings

Only one of the Subsidiaries, CIRU, has bank borrowings relating to loans arranged with La Caixa and Caja Extremadura. The purpose of the loan from La Caixa was to finance the investment in new premises located in Castellón, which were acquired in 2011. The loan from Caja Extremadura relates to a mortgage on the property located at San Antón, in Cáceres. As at 31 December 2012, the total amount pending repayment is EUR 9,826,658.

The detail, by maturity, at 31 December 2012 is as follows:

	2013	2014	2015	2016	2017 and subsequent years	Total
Bank borrowings	1,215,551	1,236,242	1,257,202	1,278,541	4,839,122	9,826,658
Total	**1,215,551**	**1,236,242**	**1,257,202**	**1,278,541**	**4,839,122**	**9,826,658**

V. Events after the reporting period

From year end to the date of authorisation of issue, no events took place that are worthy of mention, except for the entry into force of the new Law 16/2012, of 27 December, mentioned in point 4 of this Management Report.

7. Common control and consolidation

See 2.1.4 and 2.1.5 of the Notes to the consolidated financial statements for the year ended 31 December 2012.

8. Rules governing the appointment and replacement of the Board of Directors

The Company is represented and administered by a Board of Directors consisting of three (3) members elected at the General Meeting. Each member of the Board of Directors is referred to as a “Director”. The General Meeting can decide to qualify the appointed Directors as category A Director(s) (the “Category A Director”) and category B Director(s) (the “Category B Director”).

It is not necessary to be a shareholder in order to be appointed as a Director as this role can be occupied by both physical and legal persons. The General Shareholders Meeting may, at any time and ad nutum, remove and replace any Director.

Individuals declared unsuitable under any Luxembourg legal provision, may not be appointed as Directors.

The General Shareholders Meeting may agree to remunerate the Directors for attending meetings of the Board and additionally, where appropriate, to agree on a fixed annual compensation. When the General Meeting agrees on an annual fixed compensation, the Board of Directors will have the discretional power for sharing such fixed compensation between the Directors.

Directors shall hold office for a period of maximum six (6) years, and may be re-elected by the General Meeting once or more for a period of equal duration. At the end of this period, the appointment shall be effective after the next General Meeting has been held.

After the incorporation of the Company as at 1 December 2011, the General Shareholders Meeting approved the following resolutions:

a) The number of directors was fixed at three and the number of the statutory auditor at one.
b) The following Directors were appointed:
    i. Mr. Marco Colomer Barrigón, born in Madrid (Spain), on 14 December 1960, with principal office at Glorieta de Cuatro Caminos 6 and 7 (28020) Madrid (Spain), as Category A Director of the Company and as the “Chairman” of the Board. He has a wide experience of the real estate sector and has been managing different real estate companies (a.o. from PRYCONSA Group and COGEIN Group). He is also acting as CEO of all these companies. In addition he has been member of the board of BANCO POPULAR ESPAÑOL and member of the "Global Advisory Council" in the "Chase Manhattan Private Bank," today J. P. Morgan. This office will end at the ordinary General Meeting to be held in 2017.
    ii. Mr. Patrick Sganzerla, born in Toulon (France), on 28 March 1968 with principal office at 46, Boulevard Grande Duchesse Charlotte, L-1026 Luxembourg, Grand-Duchy of Luxembourg, as Category B Director of the Company. He has an experience of chartered accountant and auditor in Luxembourg and France and has worked for audit firms. He has also practice his accounting skills in a Luxembourg holding Company. This office will end at the ordinary General Meeting to be held in 2017. In addition, as at 31 August 2012, the Board of Directors took the following resolutions:
        a. Accept the resignation of Mr. Patrick Sganzerla as Director B of the Company.

b. Further to the mentioned resignation of Mr. Patrick Sganzerla and in order to comply with the Luxembourg law and the bylaws of the Company, Mrs. Pascale Nutz was appointed as new Director B of the Company by cooptation in replacement of Mr. Patrick Sganzerla for a period of 6 years.

c. The appointment of Mrs. Pascale Nutz was approved by resolution of the Board of Directors dated 31 August 2012.

iii. Mr. Ismaël Dian, born in Virton (Belgium), on 15 November 1979 with principal office at 46, Boulevard Grande-Duchesse Charlotte, L-1026 Luxembourg, Grand-Duchy of Luxembourg, as Category B Director of the Company. He has an experience of accountant and Tax specialist having worked for various fiduciaries and audit firms. He further specializes in real estate market being certified as Specialist in Real Estate in Luxembourg (Lux Alfi). This office will end at the ordinary General Meeting to be held in 2017.

With respect to third parties, every Director, whatever its category, can validly represent and act for the Company solely for all actions of a value of maximum EUR 5,000 (five thousand Euros).

The Board of Directors may appoint from among its members one Executive Committee or one or more Managing Directors, determining the individuals responsible for these functions and their expected performance. It may delegate to the latter, in part or in full, temporarily or permanently, such faculties as are delegable according to Law.

The Board of Directors may also delegate its representative powers to one or more Directors on a permanent basis, determining, if they designate more than one, whether they have to act jointly or whether they can act separately.

9. Future development / evolution of the Group

The Company, through its Subsidiaries, will continue its activity of real estate rental business as well as analyze new opportunities of investments in real estate assets that will be able to generate at least a 7% of annual yield in prime zones. In addition, given the long term rental contracts of the Subsidiaries, the Group will keep the current lease contracts to generate the expected revenues. The dividend policy of the subsidiaries guarantees incomes for the Company in the future.

In view of the activity carried on by the Company and its subsidiaries with long-term rental assets, the Board of Directors forecasts are positive, due to the existence of long-term agreements with high-ranking lessees in the Spanish hotel sector, which guarantee the medium-term viability of the business, together with new lease agreements for commercial premises with lessees that have good solvency ratings.

Due to the real estate business of the Group there is no specific research which is conducted other than explained above.

10. Main risks of the Group

The Group is exposed to a series of risks and uncertainties. The financial risks include notably:

- **Credit risk:** the Group's principal financial assets are cash and cash equivalents, trade and other receivables and investments, which represent the maximum exposure to credit risk in relation to financial assets. The Group's credit risk is attributable mainly to trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by Group management based on prior experience and its assessment of the current economic environment.
- **Interest rate risk:** the Group has several long term borrowings which are financing long term assets. Although the Group does not arrange interest rate hedges, the management of the Group does not consider that the evolution of the interest rate in the future will have a relevant negative impact in the results of the Group.
- **Liquidity risk:** taking into consideration the current situation of the financial market and management's estimates of the Group's cash-generating capacity, the Group estimates that it has sufficient capacity to obtain third-party financing if it were required for new investments. Accordingly, in the medium term, there are no indications that the Group will have liquidity problems. Liquidity is provided by the nature of the investments made, the high creditworthiness of the lessees and the guarantees of collection in place in the agreements in force.
- **Valuation risk:** Given the Group's core business, i.e., investment in real estate for rental, most of the assets of the Group consist of such assets that are exposed to fluctuations in the valuations that the market can make based on changes in certain indexes that influence these ratings. Nevertheless, given the quality of the Group's assets and long-term lease contracts associated to them, the Group's management considers that the variation in the valuations of the Group's assets should not be relevant and therefore should not significantly affect its results.
- **Eurozone risk:** All the Group's assets that generate income are located within the European Union. Consequently, any factor that could influence politics and the economy of the EU could have an effect on the ability to generate revenues and the results of operations. Specifically, all revenues and activities of the Subsidiaries are located in Spain which is in an economic recession. The Subsidiaries have been subject to renegotiation of the rental agreements partially due to this situation. The negative effect of the above-mentioned has already been considered in the projections and activity of the Subsidiaries. The Management of the Company is aware of the crisis but does not believe that it will have any additional negative impact on the Company following the renegotiation of the rental contracts and the quality of the existing tenants.

SAINT CROIX
HOLDING IMMOBILIER, S.A.

- **Property risks:** The Management also assessed the risk related to the insurance coverage of the investment properties. The difference between the net book value (net of land cost) and the insured value of the investment properties is estimated to circa EUR 60 Million for the whole portfolio. It is mainly related to certain properties (Gran Vía 34, Tryp Cibeles Hotel, Tryp Atocha Hotel, Pradillo 42 and Premises in Pza. España in Castellón) which representing 85% of the said difference. Management is currently reviewing the insurance policy to increase the insured value of these properties but still considers that the risk for the Group remains low.

Other market risks to which the Group is exposed are:

- **Regulatory risks:** the Group is subject to compliance with the various applicable regulations in force, both general and specific (legal, accounting, environmental, labor, tax, data protection regulations, among others). Any regulatory changes occurring in the future could have a positive or negative effect on the Group.
- **Tourism risk:** An important part of the Group's assets (mainly hotels) are significantly linked to tourism sector. Any decline in tourism activity in the cities where these hotels are located, could have a negative effect on the use and occupation of the hotels. This could, as a consequence, have a negative effect in the profitability and yield of these assets if the tenants renegotiate current leases contracts.

Lastly, it is important to note that there are other risks to which the Group is exposed: (i) environmental risks; (ii) risks from damage occurring in the workplace; and (iii) risks relating to occupational risk prevention.

By order of the Board of Directors

Marco Colomer Barrigón
Director

Ismael Dian
Director

Corporate Governance statement

for the year ended 31 December 2012

Corporate governance statement

1. Corporate governance framework

The Company complies with the corporate governance regime applicable in Luxembourg. The Directors monitor the Company's affairs and must apply due diligence when carrying out their responsibilities. A Director who is unable to attend a meeting may authorize another Director in writing to be his proxy. The Directors may from time to time cause the Company to enter into agreements with third parties for the provision of services to the Company.

2. Duties of the Board of Directors

The Board of Directors shall meet on the days agreed upon during a Board Meeting, wherever specified by the Chairman or requested by one of its members, in which case it shall be called to meet within fifteen (15) days of the request. Meetings of the Board of Directors (each a “Board Meeting”) shall always be convened in writing and addressed personally to each Director, a minimum of five (5) days in advance of the meeting date.

The Board of Directors shall be validly constituted only if a majority of Directors is present or represented at the Board Meeting, including at least one Category A Director and one Category B Director in case the shareholder(s) has(have) qualified the Directors as Category A Director(s) and Category B Director(s).

In order to be represented at the Board Meeting, it is necessary for this representation to be assumed by another Director.

Any Director may act at any Board Meeting by appointing in writing or by telegram, facsimile, or e-mail another Director as his proxy.

All resolutions shall be taken by a majority vote of the Directors present and represented, including at least one vote of a Category A Director and one vote of a Category B Director in case the shareholder(s) has(have) qualified the Directors as Category A Director(s) and Category B Director(s).

In the event of votes being tied, the Chairman shall have the casting vote.

The Company shall be bound towards third parties in all matters by the joint signature of any Category A Director and any Category B Director of the Company in case the shareholder(s) has(have) qualified the Directors as Category A Director(s) and Category B Director(s), or by the joint signature of two Directors in case no Director has been qualified as Category A Director or Category B Director.

Notwithstanding the foregoing, a resolution of the Board of Directors may also be passed by unanimous consent in writing which may consist of one or several documents containing the resolutions and signed by each and every Director. The date of such a resolution shall be the date of the last signature.

If the General Meeting does not designate a Chairman, the Board of Directors shall appoint one from among its members, as well as one or several Vice Chairman, should it deem this to be necessary.

It shall likewise freely appoint an individual to perform the functions of Secretary, and if it considers it advisable, a Vice Secretary. These do not have to be Directors, and shall attend Board Meetings with speaking but not voting rights, unless they hold the status of Directors.

The Board of Directors shall regulate its own functioning, shall accept the resignation of Directors and, where relevant, shall proceed, should vacancies arise during the period for which Directors were appointed, to designate individuals from among the shareholders to occupy these posts until the next General Meeting is held. It shall also be able to appoint an "Executive Committee" from among its members, or one or more "Managing Directors", without prejudice to the powers of representation that it may confer upon any individual, and with the exception of such powers that may not be legally delegated.

The discussions and resolutions of the Board of Directors shall be maintained in a Minute Book and shall be signed by the Chairman and the Secretary, or by the Vice Chairman and the Vice Secretary, as necessary. The certification of minutes shall be issued by the Secretary of the Board of Directors or, if necessary, by the Vice Secretary, with the approval of the Chairman or Vice Chairman, as appropriate.

Any of the members of the Board of Directors may have responsibility for formalizing resolutions in public documents, as may its Secretary or Vice Secretary, even if they are not Directors.

The Board of Directors shall be responsible for representing the Company, both in court and outside court, as a body and by majority decision, being empowered in the broadest sense to carry out general contracting, to conduct all kinds of actions and businesses, whether obligatory or provided for legally, of ordinary or extraordinary administration and strict jurisdiction, with regard to all types of goods, movable and immovable assets, money, transferable securities and commercial bills, with no other exception than in relation to matters which are the competence of other bodies or which are not included in the corporate purpose.

The Board of Directors is entitled to, without limitation:

b) Signing for and representing the Company, authorizing Company correspondence and whatever documents may be needed for this requirement.
c) Directing and managing all Company businesses to their full extent, and ensuring the smooth running of the Company, as well as all its offices and premises, proposing to the General Meeting the measures, reforms and regulations that, in its judgment, are in the Company's best interests.
d) Appointing and suspending the Company's technical, administrative and ancillary personnel, overseeing management of these personnel and setting their remuneration.

e) Fulfilling and executing the resolutions of the General Meeting, and issuing certifications.
f) Paying, charging and receiving sums of all kinds; opening, maintaining and cancelling current accounts with any banks or institutions, promissory notes, checks and transfer orders on behalf of the Company; withdrawing and furnishing cash deposits, also at any banks or institutions, accepting, negotiating and discounting bills of exchange, promissory notes, checks and other commercial or credit documents, as well as contesting them when necessary; acting as guarantor for credit and other transactions, and mutual guarantee transactions.
g) Appearing before any competent tribunal or court of justice, in order to represent the Company, bring and respond to all kinds of actions and appeals and confer, if necessary, the relevant powers of legal representation to lawyers and prosecutors.
h) Requesting simple loans, mortgages or other types of credit, providing any guarantees that it deems necessary; establishing chattel mortgages; conducting lease and financial rental operations, all of these according to the stipulated agreements and conditions inherent to such contracts.
i) Executing and contracting all kinds of works, services and supplies; financing construction; administering the Company's assets, renting them and halting the rent thereof; contracting with the central government, regional, provincial and municipal authorities; representing the Company in all types of tenders, auctions and direct contracting, providing all forms of guarantee.
j) Purchasing, selling and exchanging, and by any other means acquiring or disposing of all forms of movable or immovable assets or transferable securities, for prices and under conditions that are freely stipulated, acknowledging or deferring the receipt thereof, in this case establishing such guarantees as it deems necessary, including mortgages or conditions subsequent, which shall be paid in due course.
k) Any other powers not reserved for the General Meeting under Law or by law or by these Articles of Association.

The Board of Directors may delegate all or some of its legally-delegable powers, and both the Board of Directors and the Directors may confer all kinds of legal and extra-legal powers, and revoke powers and delegations.

The Board will be responsible for the management of the Company. It will act in the best interests of the company and will protect the general interests of the shareholders by ensuring the sustainable development of the Company. It will function in a well-informed manner as a collective body.

All matters not governed by the Articles of Association shall be determined in accordance with the applicable Luxembourg legal provisions, being notably the law of 10 August 1915 regarding commercial companies, as amended, and the law of 24 May 2011 on the exercise of certain rights of shareholders in general meetings of listed companies.

3. Composition of the board and the special committees

The Company is represented and administered by a Board of Directors consisting of three (3) members elected at the General Meeting. Each member of the Board of Directors is referred to as a "Director". The General Meeting can decide to qualify the appointed Directors as category A Director(s) (the "Category A Director") and category B Director(s) (the "Category B Director").

It is not necessary to be a shareholder in order to be appointed as a Director as this role can be occupied by both physical and legal persons. The General Shareholders Meeting may, at any time and ad nutum, remove and replace any Director.

Individuals declared unsuitable under any Luxembourg legal provision, may not be appointed as Directors.

The General Shareholders Meeting may agree to remunerate the Directors for attending meetings of the Board and additionally, where appropriate, to agree on a fixed annual compensation. When the General Meeting agrees on an annual fixed compensation, the Board of Directors will have the discretional power for sharing such fixed compensation between the Directors.

Directors shall hold office for a period of maximum six (6) years, and may be re-elected by the General Meeting once or more for a period of equal duration. At the end of this period, the appointment shall be effective after the next General Meeting has been held.

After the incorporation of the Company as at 1 December 2011, the General Shareholders Meeting approved the following resolutions:

c) The number of directors was fixed at three and the number of the statutory auditor at one.
d) The following Directors were appointed:
   iv. Mr. Marco Colomer Barrigón, born in Madrid (Spain), on 14 December 1960, with principal office at Glorieta de Cuatro Caminos 6 and 7 (28020) Madrid (Spain), as Category A Director of the Company and as the "Chairman" of the Board. He has a wide experience of the real estate sector and has been managing different real estate companies (a.o. from PRYCONSA Group and COGEIN Group). He is also acting as CEO of all these companies. In addition he has been member of the board of BANCO POPULAR ESPAÑOL and member of the "Global Advisory Council" in the "Chase Manhattan Private Bank," today J. P. Morgan. This office will end at the ordinary General Meeting to be held in 2017.
   v. Mr. Patrick Sganzerla, born in Toulon (France), on 28 March 1968 with principal office at 46, Boulevard Grande Duchesse Charlotte, L-1026 Luxembourg, Grand-

Duchy of Luxembourg, as Category B Director of the Company. He has an experience of chartered accountant and auditor in Luxembourg and France and has worked for audit firms. He has also practice his accounting skills in a Luxembourg holding Company. This office will end at the ordinary General Meeting to be held in 2017.

vi. Mr. Ismaël Dian, born in Virton (Belgium), on 15 November 1979 with principal office at 5 rue Guillaume Kroll, L-1882 Luxembourg, Grand-Duchy of Luxembourg, as Category B Director of the Company. He has an experience of accountant and Tax specialist having worked for various fiduciaries and audit firms. He further specializes in real estate market being certified as Specialist in Real Estate in Luxembourg (Lux Alfi). This office will end at the ordinary General Meeting to be held in 2017.

As at 31 August 2012, the Board of Directors took the following resolutions:

- Accept the resignation of Mr. Patrick Sganzerla as Director B of the Company.
- Further to the mentioned resignation of Mr. Patrick Sganzerla and in order to comply with the Luxembourg law and the bylaws of the Company, Mrs. Pascale Nutz was appointed as new Director B of the Company by cooptation in replacement of Mr. Patrick Sganzerla for a period of 6 years.
- The appointment of Mrs. Pascale Nutz was approved by resolution of the Board of Directors dated 31 August 2012.

With respect to third parties, every Director, whatever its category, can validly represent and act for the Company solely for all actions of a value of maximum EUR 5,000 (five thousand Euros).

4. Appointment of Directors and Executive Managers

The Board of Directors may appoint from among its members one Executive Committee, or one or more Managing Directors, determining the individuals responsible for these functions and their expected performance. It may delegate to the latter, in part or in full, temporarily or permanently, such faculties as are delegable according to Law.

The Board of Directors may also delegate its representative powers to one or more Directors on a permanent basis, determining, if they designate more than one, whether they have to act jointly or whether they can act separately.

5. Conflicts of interest

Individuals subject to the conflicts of interest set forth in any Luxembourg legal provision, may not occupy positions in this Company. Should a Director discover a conflict of interest he or she is obligated to inform the Company accordingly and must not vote on the subject causing the conflicts of interest issue. Any Director having an interest in a transaction submitted for approval to the Board conflicting with that of the Company, shall be obliged to advise the Board thereof and to cause a record of his statement to be included in the minutes of the meeting. At the next following General Meeting, before any other resolution is put to vote, a special report shall be made on any transactions in which any of the Directors may have had an interest conflicting with that of the Company.

It should be noted that one of the Directors also works for companies with which the Company has contractual relationships. In particular, Marco Colomer Barrigón is in charge of the different functions within the following companies related to the Colomer family:

Company	%	Corporate purpose	Charge and Functions
COGEIN, S.L.	26,63%	Real Estate Development	Sole Director (Rep. PER 32, S.L.)
COMPAÑÍA IBERICA DE VIVIENDAS SIGLO XXII, S.L.	-	Real Estate Development	Sole Director
ISLA CANELA, S.A.	-	Real Estate Development	Chairman and CEO
GRAN VIA, 34, S.A.	-	Real Estate Development	Sole Director (Rep. PER 32, S.L.)
TENEDORA DE TERRENOS, S.L.U.	-	Investment holding	Sole Director
TENEDORA DE SOLARES, S.L.U.	-	Investment holding	Sole Director
GESTORA DE SOLARES, S.L.U.	-	Investment holding	Sole Director
RENOVERCIA SOLAR ECIJA (1 TO 19) S.L.U.	-	Power generation	Sole Director (Rep. CODES CAPITAL PARTNERS, S.L.
PARSOFI, S.P.R.L.	-	Investment holding	Manager
TENIVI, L.D.A.	-	Investment holding	Manager
SNC BOETIE HAMELIN INVESTMENTS II	-	Investment holding	Manager (Rep. Parsofi, s.p.r.l.)
COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009 SOCIMI, S.A.U.	-	Real Estate Investment	Sole Director (Rep. SCHI)
COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009 SOCIMI, S.A.U.	-	Real Estate Investment	Sole Director (Rep. SCHI)
BOETTICHER Y NAVARRO, S.A.	-	Real Estate Development	Chairman and CEO
PROPIEDADES CACEREÑAS, S.L.	18,46%	Real Estate Development	Sole Director (Rep. COGEIN, S.L.)
PRYGECAM ARROYOMOLINOS VIVIENDA JOVEN, S.L.	-	Real Estate Development	Chairman (Repr. PRYCONSA)
PRYGECAM MOSTOLES VIVIENDA JOVEN, S.L.	-	Real Estate Development	Chairman (Repr. PRYCONSA)
PLANIFICACION RESIDENCIAL Y GESTION S.A. (PRYGESA)	-	Real Estate Development and Management	Sole Director (Rep. PRYCONSA)
TRIANGULO PLAZA DE CATALUÑA, S.L.	-	Real Estate Development	Sole Director (Rep. Snc Boetie Hamelin Investments II)
GESTORA PROMOCIONES AGROPECUARIAS, S.A.	-	Real Estate Development	Sole Director (Rep. COGEIN, S.L.)
PER 32, S.L.	49,99%	Real Estate Development	Sole Director
ANOA FINANZAS, S.L.	-	Real Estate Development	Sole Director (Rep. COGEIN, S.L.)
CODES CAPITAL PARTNERS, S.L.	-	Real Estate Development	Joint Director (Rep. Parsofi, SPRL)
INVERETIRO	-	Real Estate Development	Sole Director (Rep. PER 32, S.L.)
PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA, S.A.	-	Real Estate Development	Chairman and CEO
SAINT CROIX HOLDING IMMOBILIER, S.A.	12,81%	Investment holding	Director A

In addition, Mr. Marco Colomer Barrigón is one of the major Shareholders of the Company. As at 31 December 2012 he directly owns 570.447 shares of the Company, i.e. 12.8127079%.

There are no conflicts of interest between any duties of the Directors to the Company and their private interest or other duties.

There are no remuneration or audit committees. The Company however, reserves the right to set up such committees. None of the members of its administrative, management or supervisory bodies has been convicted of fraudulent offences in the previous five years, and that none has been subject to any bankruptcy, receivership or liquidation proceedings or any official public incrimination and/or sanctions in the previous five years.

There is no service contract concluded between the Directors and the Company or the Subsidiaries providing for benefits upon termination of employment.

There is no such arrangement or understanding with major Shareholders, customers, suppliers or others, pursuant to which any Directors was selected as a member of the administrative, management or supervisory bodies or member of senior management.

There is no restriction agreed by the Directors on the disposal within a certain period of time of their investment holding in the Company's securities.

The detail of entities in which the Directors are manager or member of the administrative, management or supervisory bodies or partner in the previous five years are as follows:

a) Mr. Marco Colomer Barrigón

The entities of which Mr. Marco Colomer Barrigón is a member of the administrative, management or supervisory bodies or partner for the last five years are detailed in the table above. All these mandates are in force.

b) Mrs. Pascale Nutz

Mrs. Pascale Nutz has been manager and/or member of the board of directors of the following companies incorporated under Luxembourg law for the last five years:

- Acacia S.à r.l.
- Aiga Eastern Europe Investments S.à r.l.
- Alpha Investissements Immobiliers S.A.
- B.V. Feldrien Investments
- British Vita (Lux III) S.à r.l.
- British Vita (Lux IV) S.à r.l.
- British Vita (Lux V) S.à r.l.
- Carla S. à r.l.
- Carpathian Holdings S.à r.l.
- Carpathian Properties S. à r.l.
- Chichester Luxembourg S.à r.l.
- Cidron Iugo S.à r.l
- Cidron Power LP S.à r.l.
- Clemalux S.à r.l.
- Cognis S.à r.l.
- Colfin Europe Sàrl
- ConvaTec Healthcare B S.à.r.l
- ConvaTec Healthcare C S.à.r.l
- ConvaTec Healthcare D S.à.r.l
- ConvaTec Healthcare E S.A.
- Emfasis Mailing & Billing I S.à r.l.
- Emfasis Mailing & Billing II S.à r.l.
- FOSCA Finance S.à r.l.
- FOSCA II Manager S.à r.l.
- FOSCA Managers S.à r.l.

- Fung Properties S.à r.l.
- Glanbia Luxembourg S.A.
- Glanbia Luxfin S.A.
- Glanbia Luxinvest S.A.
- GlobalComm S.à r.l.
- Helena 2 Investments S.à r.l.
- Helena Debtco S.à r.l.
- High-Tech Hotel Investments S.à r.l.
- High-Tech Hotel Investments II S.à r.l.
- Investment Light I S. à r.l.
- Investment Light II S. à r.l.
- INVESTPOL S.A.
- ITV Investments in Valencia I Sàrl
- ITV Investments in Valencia II S.à r.l.
- Lata Lux Holding Parent S. à r.l.
- Lata Lux Holding S. à r.l.
- Laude Invest I S.à r.l.
- Laude Invest II S.à r.l.
- LBS Holdings S.à r.l.
- Luxembourg Bridge S.à r.l.
- Maflolu Investments Limited
- Orizon Luxembourg S.à r.l.
- Pavix S.à r.l.
- REComm S.à r.l.
- Redpier Holdings S.à r.l.
- Saint Croix Holding Immobilier S.A.
- Santé Europe Investissements S.à r.l.
- Santé Europe Participations S.à r.l.
- Silver Sea Developments S.à r.l.
- Silver Sea Holdings S.A.
- Silver Sea Property Holdings S.àr.l.
- Spanish Security Services I S. à r.l.
- Spanish Security Services II S. à r.l.
- TEIF Germany Einbeck S.à r.l.
- TEIF Germany Simmern S.à r.l.
- TEIF Germany Urbach S.à r.l.
- TEIF Luxembourg Investments S.à r.l.
- TEIF Luxembourg S.à r.l.
- TEIF Luxembourg Scandi S.à r.l.
- Third Continuation Investments SA
- Thistle S.A.
- Vipax S.à r.l.

All these mandates are in force.

c) Mr. Ismaël Dian

Mr. Ismaël Dian has been manager and/or member of the board of directors of the following companies incorporated under Luxembourg law for the last five years:

- Captiva 2 Juna Investment holding S.à r.l.
- Mekong Corporation S.à r.l.
- Captiva 2 KQ Investment holding S.à r.l.

- Captiva 2 Johannes S.à r.l.
- Kemisse S.à r.l.
- Mercurio Retail S.à r.l.
- MRP Investments S.à r.l.
- MRP Investments 2 S.à r.l.
- Captiva Nexis S.à r.l.
- Mercurio Retail Investment holding S.à r.l.
- Captiva Healthcare S.à r.l.
- Captiva Industrial S.à r.l.
- Captiva Capital III GP S.à r.l.
- MRP Apollo Investment S.à r.l.
- SDB Mercurio S.à r.l. (in liquidation)
- Trian Institutional Real Estate I S.A.
- Captiva MIV S.à r.l.
- Mercurio Asset Management S.à r.l. (in liquidation)
- Axiom Asset 3 S.à r.l.
- Axiom Asset 4 S.à r.l.
- Sky II GP A S.à r.l.
- Sky II GP B S.à r.l.
- Sky II Asset A S.à r.l.
- Sky II Asset B S.à r.l.
- Sky II Acquisition C S.à r.l.
- Fiduciaire Patrick Sganzerla S.à r.l.
- Sofidec S.à r.l.
- FPS Office Center S.à r.l.
- ID Consulting Sàrl
- Captiva Capital (Luxembourg) S.à r.l.
- Caposition Sàrl

All these mandates are in force excepted in the following entities where he was replaced:

- Fiduciaire Patrick Sganzerla S.à r.l.
- Sofidec S.à r.l.
- FPS Office Center S.à r.l.

6. Evaluation of the performance of the Board of Directors

The operations of the Company shall be supervised by one or several statutory auditors who will be appointed and dismissed according to the legal provisions in force. Their term of office may not exceed six (6) years. In this respect, Deloitte Audit, S.à.r.l has been appointed statutory auditor having its registered office at 560, rue de Neudorf, Luxembourg L-2220, Grand-Duchy of Luxembourg.

In addition, the General Shareholders Meeting will supervise and evaluate the performance of the Board of Directors. It is the responsibility of the shareholders to take a majority decision during a General Meeting on the matters for which it has legal competence. Such competence is being extended to the issuance of bonds, notes and similar securities.

General Meetings may be ordinary or extraordinary. Ordinary General Meetings are those that have been previously announced, and must necessarily be held within the first six (6) months of each year in order to review corporate management, to approve, where appropriate, the accounts of the previous year and to take a decision regarding the appropriation of earnings.

All other General Meetings shall be extraordinary, and shall be held when convened by the Board of Directors, whenever it deems such meetings advisable for corporate interests or when they are requested by a number of shareholders investment holding at least five per cent (5%) of the share capital. Such requests are to mention the items to be discussed at the General Meeting and in accordance with law.

A General Meeting, even if convened as an Ordinary General Meeting, shall also be able to consider and decide on any issue within the scope of its powers if such issue has been mentioned in the convening notice or advertisement to the meeting, and as long as this complies with the Law, where appropriate.

The convening, either to the Ordinary General Meeting or to an Extraordinary one, shall be announced in a public advertisement in the Luxembourg Official Gazette (the "Mémorial"), in one of the other Luxembourg newspapers and in media which may reasonably be relied upon for the effective dissemination to the public throughout the European Economic Area, and which are accessible rapidly and on a non-discriminatory basis, at least thirty (30) days before the date set for the General Meeting.

If all the shares are registered, the Board of Directors may, in such cases as permitted by law, replace the legally required publications with a written notice to each shareholder or interested party, which must in each case comply with legal provisions.

Directors shall attend General Meetings.

The General Meeting shall have a valid quorum upon the first convening if the shareholders present or represented possess at least fifty percent (50%) of the share capital with voting rights. There will be a valid quorum for the meeting upon the second convening regardless of the proportion of the capital present or represented.

For the ordinary or extraordinary General Meeting to be able to take valid decisions upon the issue of bonds, notes or similar securities, capital increases or decreases, the transformation, merger or division of the Company, and in general, any amendment to the Articles of Association, the resolution will be validly passed provided that a majority of two-thirds (2/3) of the votes is expressed.

Notwithstanding all of the above, the General Meeting shall be understood to have been validly called and assembled to discuss any subject as long as the entirety of the share capital is present, and that those in attendance are unanimous in accepting the Investment holding of the General Meeting.

General Meetings shall be held in the municipality where the Company has its registered office. The Chairman and Secretary of the Board of Directors shall perform the same functions at the

General Meeting. In the event of their absence, the people to fulfill these roles shall be decided on at the General Meeting itself, with the agreement of those present. If there is a Vice Chairman and a Vice Secretary of the Board of Directors, they shall be responsible for performing these functions in the absence of the Chairman and the Secretary.

The Board of Directors may only discuss and vote on the issues included in the convening advertisement or notice.

The Chairman shall be responsible for guiding deliberations, granting participants speaking time and determining the duration of speeches.

Resolutions shall be taken by the majority of the present or represented capital, except in the case of any legal provision to the contrary.

All other provisions relating to the verification of attendees, voting and the shareholders' right to information shall be those established by Law.

Minutes of the General Meeting shall be recorded in the book maintained for this purpose and published when required, according to the requirements as set forth by law. The minutes may be approved by the General Meeting itself or, failing this, within a period of fifteen (15) days by the Chairman and two (2) auditors, one representing the majority and the other the minority.

Certification of the minutes shall be issued by the Secretary of the Board of Directors or, where applicable, by the Vice Secretary, with the approval of the Chairman or Vice Chairman, as appropriate.

It is the responsibility of the individuals with the power to certify corporate resolutions to ensure that such resolutions be duly filed and published if required by law. Such publicity may also be ensured by any member of the Board of Directors without the need for them to be expressly delegated to do this.

7. Management structure

According to the Articles, The Board is validly constituted only if a majority of Directors is present or represented at the Board meeting with at least one Director of each categories, A and B Director in case the shareholders have qualified the Directors as Category A Director(s) and Category B Director(s).

All resolutions to be adopted by the Board shall be taken by a majority vote of the Directors with, as the case may be, at least one vote of each category of Directors. Furthermore, the Company is bound towards third parties in all matters by the joint signature of any Category A Director and any Category B Director or by the joint signature of two Directors in case no Director has been qualified as Category A Director or Category B Director.

The Board shall be responsible for representing the Company, both in court and outside court, as a body, being empowered in the broadest sense to carry out general contracting, to conduct all kinds of actions and businesses, whether obligatory or provided for legally, of ordinary or extraordinary administration and strict jurisdiction, with regard to all types of goods, movable and immovable assets, money, transferable securities and commercial bills, with no other exception than in relation to matters which are the competence of other bodies or which are not included in the corporate purpose.

The Board may appoint from among its members one Executive Committee or one or more Managing Directors, determining the individuals responsible for these functions and their expected performance. It may delegate to the latter, in part or in full, temporarily or permanently, such faculties as are delegable according to law.

The Board may also delegate its representative powers to one or more Directors on a permanent basis, determining, if they designate more than one, whether they have to act jointly or whether they can act separately.

8. Remuneration policy

The General Meeting may agree to remunerate the Directors for attending meetings of the Board and additionally, where appropriate, to agree on a fixed annual compensation. Directors and other officers of the Company, both past and present, are entitled to indemnification from the Company to the fullest extent permitted by law against liability and all expenses reasonably incurred by them in connection with any claim, action, suit or proceeding in which they are involved by virtue of their being or having been a Director or other officer respectively. The Company may purchase and maintain for any Director or other officer insurance against any such liability. However, no indemnification shall be provided against any liability to the Company or its Shareholders by reason of willful misconduct of a Director in the exercise of his office. According to the fourth resolution of the Annual General Meeting of the Company that took place on 19 July 2012, the yearly fixed compensation granted to the members of the management for the financial year are as follows: Director A: EUR 12,000 (2011: nil) and Director B (each): EUR 2,950 (2011: nil)

9. Financial reporting, internal control and risk management

The Board of Directors shall draw up its annual accounts, its management report and a proposal for the appropriation of earnings within the legally established period, to be presented to the General Meeting once they have been reviewed and reported by the auditor(s) of the accounts, where relevant.

From the annual net profits of the Company, five per cent (5%) shall be allocated to the reserve required by Law. This allocation shall cease to be required when the amount of the legal reserve shall have reached ten per cent (10%) of the subscribed share capital.

The General Meeting shall decide upon the appropriation of the annual profits in accordance with the approved balance sheet. The distribution of dividends to shareholders will be made in proportion to the capital that has been paid in, against the benefits of each year. In this regard, the Company commits to distribute annual dividends, up to 100% of the remaining yearly distributable profit earned by the Company after having made the minimum allocation to the legal reserve as required by law.

The Company has organized the management of internal control and corporate risks by defining its control environment (general framework), identifying and classifying the main risks to which it is exposed, analyzing its level of control of these risks and organizing 'control of control'.

It also pays particular attention to the reliability of the financial reporting and communication process.

1) Control environment
    a) Group organization: The Subsidiaries of the Company are organized into a number of departments as set out in an organization chart. Each person has a job description. There is a power of attorney procedure; the support functions are the Accounts, IT, Legal and Human Resources Departments and the Secretariat General. Management control is the responsibility of the Controlling Team. The CFO is in charge of organizing the risk management.
    b) Organization of internal control: There is no Audit Committee in the Company. Nevertheless, The Subsidiaries have a specific Internal Audit Department in charge of the internal control and corporate risk management. In this context, the Internal Audit Department makes use in particular of the work of internal auditing, which reports directly to the CEO of the Subsidiaries.
    c) Ethics: The Board of Directors has drafted and approved Corporate Governance Rules included in the Prospectus of the Company.
2) Risk analysis and control activities: According to the experience of the three members of the Board of Directors, all the risks of the Company activities are discussed internally to detail them and to define the necessary measures to mitigate them. The conclusions of the discussions are reviewed twice a year. These risks are described in annual accounts of the Company.
3) Financial information and communication: The process of establishing financial information is organized as follows: A retro planning chart sets out the tasks to be completed for the quarterly, half yearly and annual closures of the Company and its subsidiaries, with deadlines. The Company and its Subsidiaries has a check list of actions to be followed up by the Financial Department of the Subsidiaries. The accounts team produces the accounting figures under the supervision of the Chief Accountant. The Controlling team checks the validity of these figures and produces the reporting. The figures are checked using the following techniques:
    - Coherence tests by comparison with historical or budget figures;
    - Sample checks of transactions according to their materiality.

10. Shareholders

No option regarding the Shares of the Company has been granted to the Directors at the date of this report.

The Company has not set up any stock options scheme and did not grant any stock options over the past fiscal year. At the close of the fiscal year, the Director A (Mr. Marco Colomer Barrigón) owns 570,447 shares of the Company, i.e. 12.8127079%.

11. Information about General Shareholders Meeting

It is the responsibility of the shareholders to take a majority decision during a General Meeting on the matters for which it has legal competence. Such competence is being extended by virtue of these Articles of Association to the issuance of bonds, notes and similar securities.

All shareholders, including those with dissenting opinions and those who may not have taken part in the meeting, shall be subject to the resolutions of the General Meeting, without prejudice to the statutory rights to which they are legally entitled.

Ordinary General Meetings are those that have been previously announced, and must necessarily be held within the first six (6) months of each year in order to review corporate management, to approve, where appropriate, the accounts of the previous year and to take a decision regarding the appropriation of earnings.

All other General Meetings shall be extraordinary, and shall be held when convened by the Board of Directors, whenever it deems such meetings advisable for corporate interests or when they are requested by a number of shareholders Investment holding at least five per cent (5%) of the share capital. Such requests are to mention the items to be discussed at the General Meeting and in accordance with law.

A General Meeting, even if convened as an Ordinary General Meeting, shall also be able to consider and decide on any issue within the scope of its powers if such issue has been mentioned in the convening notice or advertisement to the meeting, and as long as this complies with the Law, where appropriate.

The convening, either to the Ordinary General Meeting or to an Extraordinary one, shall be announced in a public advertisement in the Luxembourg Official Gazette (the "Mémorial"), in one of the other Luxembourg newspapers and in media which may reasonably be relied upon for the effective dissemination to the public throughout the European Economic Area, and which are accessible rapidly and on a non-discriminatory basis, at least thirty (30) days before the date set for the General Meeting.

The advertisement shall contain at least the date and the location of the General Meeting, all the items that must be discussed and, where required by law, the right of shareholders to go to the registered office and examine, and where relevant obtain, immediately and free of charge, any documents that must be submitted for the approval of the General Meeting and legally-required technical reports. It may also state the date on which the General Meeting will be held in the second convening, if applicable.

There must be a period of at least 24 hours between the first and second convening to the General Meeting.

The provisions of this article are without effect in cases where a legal provision establishes different or stricter requirements for General Meetings dealing with general or specific issues, in which case the specific provisions must be observed.

The legally-established requirements shall be enforced when resolutions must be taken affecting various types of shares in accordance with article 49 of the Law, shares without voting rights, or just some of the shares within the same category.

If all the shares are registered, the Board of Directors may, in such cases as permitted by law, replace the legally-required publications with a written notice to each shareholder or interested party, which must in each case comply with legal provisions.

All shareholders, including those without voting rights, may attend General Meetings.

Shareholders must have registered the ownership of their shares in the Company's shareholder register, at least one (1) day in advance of the General Meeting, as an essential prerequisite for attendance.

Directors, managers, technical experts and other individuals with an interest in the smooth running of corporate affairs may at-tend the General Meeting.

Directors shall attend General Meetings.

Any shareholder with the right to attend may be represented in the General Meeting by another individual, even if this person is not a shareholder, in the manner and according to the requirements set forth by law.

The General Meeting shall have a valid quorum upon the first convening if the shareholders present or represented possess at least fifty percent (50%) of the share capital with voting rights. There will be a valid quorum for the meeting upon the second convening regardless of the proportion of the capital present or represented.

For the ordinary or extraordinary General Meeting to be able to take valid decisions upon the issue of bonds, notes or similar securities, capital increases or decreases, the transformation, merger or division of the Company, and in general, any amendment to the Articles of Association, the resolution will be validly passed provided that a majority of two-thirds (2/3) of the votes is expressed.

Notwithstanding all of the above, the General Meeting shall be understood to have been validly called and assembled to discuss any subject as long as the entirety of the share capital is present, and that those in attendance are unanimous in accepting the Investment holding of the General Meeting.

General Meetings shall be held in the municipality where the Company has its registered office. The Chairman and Secretary of the Board of Directors shall perform the same functions at the General Meeting. In the event of their absence, the people to fulfill these roles shall be decided on at the General Meeting itself, with the agreement of those present. If there is a Vice Chairman and a Vice Secretary of the Board of Directors, they shall be responsible for performing these functions in the absence of the Chairman and the Secretary.

They may only discuss and vote on the issues included in the convening advertisement or notice.

The Chairman shall be responsible for guiding deliberations, granting participants speaking time and determining the duration of speeches.

Resolutions shall be taken by the majority of the present or represented capital, except in the case of any legal provision to the contrary.

All other provisions relating to the verification of attendees, voting and the shareholders' right to information shall be those established by Law.

Minutes of the General Meeting shall be recorded in the book maintained for this purpose and published when required, according to the requirements as set forth by law. The minutes may be approved by the General Meeting itself or, failing this, within a period of fifteen (15) days by the Chairman and two (2) auditors, one representing the majority and the other the minority.

Certification of the minutes shall be issued by the Secretary of the Board of Directors or, where applicable, by the Vice Secretary, with the approval of the Chairman or Vice Chairman, as appropriate.

It is the responsibility of the individuals with the power to certify corporate resolutions to ensure that such resolutions be duly filed and published if required by law. Such publicity may also be ensured by any member of the Board of Directors without the need for them to be expressly delegated to do this.

12. Takeover Bid Information

Pursuant to the law of 11 January 2008 on transparency requirements for issuers of securities and with reference to the paragraphs a) to k) of the Article 11 of the law of 19 May 2006 on takeover bids, the companies concerned shall publish certain information on the structures and measures that could hinder the acquisition and control over the company by an offeror.

In this respect:

a) All the shares of the Company are admitted to trading on the Luxembourg Stock Exchange. There are no different classes of shares and all of them has the same rights and obligations.

b) There are no limits or restrictions on the transfer of securities, such as limitations on the holding of securities or the need to obtain the approval of the company or other holders of securities, without prejudice to article 46 of Directive 2001/34/EC.

c) The next table shows the major shareholders of the Company as at 31 December 2012:

	%	Share Capital
Andrea Barrigón González	36.69844%	98,196,608.70
Promociones y Construcciones, PYC, PRYCONSA, S.A.	11.19357%	29,951,436.00
Cogein, S.L.	9.65335%	25,830,138.60
Barmar Siete, S.L.	2.19346%	5,869,185.70
Marco Colomer Barrigón	12.80860%	34,272,866.40
Jose Luis Colomer Barrigón	12.78396%	34,206,936.70
Gran Vía 34, S.A.	7.68845%	20,572,530.50
PER 32, S.L.	0.91371%	2,444,868.00
Compañía Ibérica de Viviendas Siglo XXII, S.L.	0.00822%	21,996.60
JP MORGAN (London Office)	4.99852%	13,374,894.40
Others	1.05972%	2,835,578.10

d) There are no holders with any securities with special control rights.

e) The Company has no employee share scheme.

f) There are no restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the company's cooperation, the financial rights attaching to securities are separated from the holding of securities;

g) As described in the prospectus for the admission to trading of the shares of the Company in the Luxembourg Stock Exchange approved by CSSF as at 21 December 2011, an agreement was concluded between COGEIN S.L., which is a major Shareholder of the Company, and JP Morgan Suisse SA and hedged by J.P. Morgan Securities Ltd. pursuant to which J.P. Morgan Securities Ltd. became a Shareholder of the Company. Under this agreement, J.P. Morgan Securities Ltd. is the owner of 222,544 shares and can use the Shares in its sole discretion. Upon maturity of this agreement in December 2016 unless the agreement has been terminated early through a settlement in cash, the agreement will be settled by a physical delivery of the Shares currently owned by J.P. Morgan Securities Ltd. to COGEIN S.L.

h) see the section 4. Appointment of Directors and Executive Managers p. 28 for the rules governing the appointment and replacement of board members and the amendment of the articles of association.

i) See the section 2 **Duties of the Board of Directors** p.24 for the powers of board members, and in particular the power to issue or buy back shares

j) The Company has not entered into any agreements in the ordinary course of business with customers and suppliers that could be affected upon a change of control of the Company

k) There are no special agreements between the company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

13. Mechanisms established by the Company to preserve the independence of auditors:

The Board of Directors is the responsible to preserve the independence of the external auditor. The Board of Directors will ensure the independence of the external auditor, particularly establishing adequate measures so that:

- The Board of Directors will request annually to the auditors of the Company written confirmation of their independence from the company or companies related to it directly or indirectly as well as information on additional services of any kind provided to these entities by the auditors or by persons or entities related to them.
- The company will report to CSSF as significant event any change of auditor accompanied by a statement of any disagreements with the outgoing auditor and, if they existed, its content. In case of resignation of the external auditor, the Board will consider the unusual circumstances that may have caused it.
- The Board of Directors shall issue annually and before to the issuance of the audit report, a report expressing an opinion on the independence of auditors. This report shall include any additional services provided to the Company or the related entities, directly or indirectly, by the auditor or by persons or entities related to it.

By order of the Board of Directors

Marco Colomer Barrigón
Director

Ismael Dian
Director

Financial information

for the year ended 31 December 2012

Director's responsibility statement

for the year ended 31 December 2012

SAINT CROIX
HOLDING IMMOBILIER, S.A

Director´s Responsibility Statement

We confirm to the best of our knowledge that:

1. The Consolidated Financial Statements of SAINT CROIX HOLDING IMMOBILIER, S.A. presented in this Annual Report and established in conformity with International Financial Reporting Standards as adopted in the European Union give a true and fair view of the assets, liabilities, financial position and results of SAINT CROIX HOLDING IMMOBILIER S.A. and the undertakings included within the consolidation taken as a whole; and
2. The Annual Accounts of SAINT CROIX HOLDING IMMOBILIER S.A. presented in this Annual Report and established in conformity with the Luxembourg legal and regulatory requirements relating to the preparation of Annual Accounts give a true and fair view of the assets, liabilities, financial position and results of the Company; and
3. The Management Report and the Corporate Governance Statement include a fair review of the development and performance of the business and position of SAINT CROIX HOLDING IMMOBILIER S.A. and the undertakings included within the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

By order of the Board of Directors

Marco Colomer Barrigón
Director

Ismael Dian
Director

SAINT CROIX HOLDING IMMOBILIER, S.A.

Consolidated Financial Statements

for the year ended 31 December 2012

Saint Croix Holding Immobilier S.à r.l.
Consolidated statement of financial position at 31 December 2012
(Euros)

ASSETS	Notes	31-12-12	31-12-11	EQUITY AND LIABILITIES	Notes	31-12-12	31-12-11
NON-CURRENT ASSETS		**234,291,391**	**242,581,686**	**EQUITY**		**260,102,668**	**262,697,849**
Investment property	**5**	233,064,195	216,049,230	**SHAREHOLDERS' EQUITY**	**9**		
Loans to related companies	**7**	44,414	25,436,295	Share capital		267,577,040	267,577,040
Financial assets	**7**	1,182,782	1,096,161	Reserves		(8,934,343)	(10,163,215)
				Retained earnings		1,459,971	5,284,024
				NON-CURRENT LIABILITIES		**22,604,524**	**14,518,066**
				Grants related to assets	**10**	1,739,816	1,848,533
				Payables to related companies	**7**	10,455,050	-
				Other financial liabilities	**11**	10,409,658	12,669,533
CURRENT ASSETS		**52,086,576**	**36,487,230**	**CURRENT LIABILITIES**		**3,670,775**	**1,853,000**
Trade and other receivables		1,847,705	811,672	Other payables	**11**	1,215,551	6,109
Loans to related companies	**7**	40,897,787	9,785,856	Trade and other payables		2,440,743	786,340
Other financial assets		3,364	100	Current tax liabilites		1,850	1,016,834
Accounts receivable from public authorities	**13.1**	9,107,212	2,999,398	Accounts payable to public authorities	**13.1**	12,631	43,717
Prepayments and accrued income		-	26,697				
Cash and cash equivalents		225,508	22,863,507				
Deferred charges		5,000	-				
TOTAL ASSETS		**286,377,967**	**279,068,915**	**TOTAL EQUITY AND LIABILITIES**		**286,377,967**	**279,068,915**

The accompanying Notes 1 to 19 are an integral part of the consolidated financial statements at 31 December 2012

Saint Croix Holding Immobilier S.à r.l.
Consolidated statement of comprehensive income of the year ended 31 December 2012
(Euros)

	Notes	31-12-12	31-12-11
CONTINUING OPERATIONS			
Revenue	**14.1**	16,492,470	18,346,386
Procurements	**-**	(315,183)	(793,074)
Staff and employee benefits costs	**14**	(378,477)	(1,339,141)
Other operating expenses	**14.2**	(2,624,712)	(1,718,153)
Depreciation and amortisation charge	**5**	(3,573,963)	(4,855,178)
Allocation to profit or loss of grants related to non-financial non-current assets	**10**	108,717	175,275
Impairment and gains or losses on disposals of non-current assets	**5**	(14,200,863)	(4,043,318)
PROFIT FROM OPERATIONS		**(4,492,011)**	**5,772,797**
Finance income		2,220,703	908,360
Finance costs		(292,602)	(57,155)
FINANCIAL PROFIT		**1,928,101**	**851,205**
PROFIT BEFORE TAX		**(2,563,910)**	**6,624,002**
Income tax	**13.2**	(31,271)	(1,339,978)
PROFIT FOR THE YEAR		**(2,595,181)**	**5,284,024**
Other comprehensive income		-	-
Total comprehensive income (loss) for the year attributable to equity holders of the Company		**(2,595,181)**	**5,284,024**

Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the year (expressed in EUR per Share)	**15**	**(0.58)**	**1.28**

The accompanying Notes 1 to 19 are an integral part of the consolidated financial statements at 31 December 2012

Saint Croix Holding Immobilier S.à r.l.

Consolidated statement of changes in equity for the year ended 31 December 2012

(Euros)

	Notes	Share capital	Reserves: Legal reserve	Reserves: Voluntary reserve	Reserves: Consolidation reserve	Retained earnings	Total
2010 ENDING BALANCE (unaudited)		**211,700,208**	**842,880**	**758,592**	**-**	**7,933,278**	**221,234,958**
Transactions with shareholders							
- Capital increase	9.1	55,876,832	-	-	-	-	55,876,832
- Dividends paid	9.4	-	-	-	-	(6,172,651)	(6,172,651)
Other changes in reserves							
- Consolidation reserve	9.3	-	-	-	(13,525,314)	-	(13,525,314)
- Legal reserve	9.2	-	926,646	-	-	(926,646)	-
- Voluntary reserve	9.6	-	-	833,981	-	(833,981)	-
Totat comprehensive income for the year 2011		-	-	-	-	5,284,024	5,284,024
2011 ENDING BALANCE		**267,577,040**	**1,769,526**	**1,592,573**	**(13,525,314)**	**5,284,024**	**262,697,849**
Transactions with shareholders							
- Capital increase	9.1	-	-	-	-	-	-
- Dividends paid	9.4	-	-	-	-	-	-
Other changes in reserves							
- Consolidation reserve	9.3	-	-	-	-	-	-
- Legal reserve	9.2	-	665,871	-	-	(665,871)	-
- Voluntary reserve	9.6	-	-	18,027	-	(18,027)	-
Totat comprehensive loss for the year 2012		-	-	-	-	(2,595,181)	(2,595,181)
2012 ENDING BALANCE		**267,577,040**	**2,435,397**	**1,610,600**	**(13,525,314)**	**2,004,945**	**260,102,668**

The accompanying Notes 1 to 19 are an integral part of the consolidated financial statements at 31 December 2012

Saint Croix Holding Immobilier S.à r.l.
Consolidated statement of cash flow for the year ended 31 December 2012
(Euros)

	Notes	Total 2012	Total 2011
CASH FLOWS FROM OPERATING ACTIVITIES (I)		**7,122,071**	**10,585,401**
Profit/(Loss) for the year before tax		**(2,563,910)**	**6,624,002**
Adjustments for:			
- Depreciation and amortisation charge		3,573,963	4,855,178
- Impairment and gains or losses on disposals of non-current assets		14,200,863	4,043,318
- Changes in provisions (commercial credit)		28,119	43,122
- Recognition of grants in profit or loss		(108,717)	(175,275)
- Finance income		(2,220,703)	(908,360)
- Finance costs		292,602	57,155
- Other income and expenses		-	-
Changes in working capital			
- Inventories		-	62,896
- Trade and other receivables		(6,166,423)	(2,706,035)
- Current prepayments and accrued income		1,327,033	213,973
- Trade and other payables		303,274	(1,020,493)
- Other current financial assets		(6,111)	(22,106)
Other cash flows from operating activities			
- Interest paid		(292,602)	(57,155)
- Interest received		791,805	908,360
- Income tax paid		(2,037,122)	(1,333,179)
- Other amounts received (Paid)			
CASH FLOWS FROM INVESTING ACTIVITIES (II)		**(64,564,029)**	**(60,576,671)**
Payments due to investment			
- Related companies		(29,684,353)	(1,273,165)
- Other non-current financial assets		(89,885)	(36,704)
- Investment property		(34,789,791)	(19,766,833)
- Investment in subsidiaries		-	(39,499,969)
CASH FLOWS FROM FINANCING ACTIVITIES (III)		**34,803,959**	**72,628,432**
Proceeds and payments relating to equity instruments			
- Proceeds from issue of equity instruments		-	82,396,492
- Grants recognised in equity		-	33,920
Dividends and returns on other equity instruments paid			
- Dividends		-	(6,172,651)
Proceeds and payments relating to financial liability instruments			
- Payments for loans granted to Group companies and associates		25,393,232	(13,413,049)
- Repayment of borrowings from Group companies and associates		10,455,050	(1,505,762)
- Bank borrowings		(1,168,159)	10,994,817
- Other financial liabilities		87,400	63,641
- Other payables		36,436	231,024
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)		**(22,637,999)**	**22,637,162**
Cash and cash equivalents at beginning of year		22,863,507	226,345
Cash and cash equivalents at end of year		225,508	22,863,507

The accompanying Notes 1 to 19 are an integral part of the consolidated financial statements for 2012

Notes to the consolidated financial statements for the year ended 31 December 2012

Note 1 - General information

Saint Croix Holding Immobilier S.A. (hereafter "the Company") and its subsidiaries (together "the Group") is a real estate group owning a portfolio of real estate in Spain.

The Company is a "Société Anonyme" incorporated on 1 December 2012 for an unlimited period of time and is registered in Luxembourg under number B 165 103. The registered office of the Company is established at 9b, Boulevard Prince Henri, L 1724 Luxembourg.

The main activity of the Company is the holding of equity interests in Luxembourg and/or foreign Company(ies) and mainly in Spanish Real Estate Investments Companies (Spanish acronym: SOCIMI) or in other companies, whether resident or not in Spain, which have a corporate purpose similar to those of Spanish SOCIMIs and which are subject to earnings distribution requirements that are similar to that established by legal or statutory policy for Spanish SOCIMIs. These SOCIMIs are to be resident in Spain and covered by the special tax regime under the conditions established in the Spanish Law 11/2009 of 26 October.

Notwithstanding the foregoing, Law 16/2012 of 27 December (which adopt different taxation measures aimed at consolidating public finances and boost economic activity, in particular its disposal eighth (amendment to the Law 11/2009 of 26 October that regulates the "Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario") was approved on 27 December 2012, whereby various tax measures were adopted aimed at consolidating public finances and promoting economic activities, by introducing certain amendments to the tax and legal regimes of Real Estate Investment Trusts (SOCIMI) and also to investment and other requirements. The most noteworthy amendments to the aforementioned Law, which came into force on 1 January 2013, are as follows:

1. Flexibility of entry and of property-holding criteria: there is no minimum to the number of properties that must be contributed in the incorporation of a REIT, except in the case of housing units, where a minimum contribution of eight is required. Properties must remain on the Company's balance sheet for a minimum period of 3 years, instead of the seven-year period required previously.
2. Lower capital requirements and unrestricted leverage threshold: the minimum capital required has been reduced from EUR 15 million to EUR 5 million, eliminating the restriction on the maximum debt limit of the property investment vehicle.
3. Decrease in distribution of dividends: before this Law came into force, the obligatory distribution of profit was 90%, and this obligation was reduced to 80% from 1 January 2013.

4. A 0% corporate income tax rate was established for REITs. However, when the dividends paid by the REIT to its shareholders with an ownership interest of more than 5% are exempt or taxed at a rate below 10%, the REIT will be subject to a special charge of 19%, which shall be treated as corporate income tax on the amount of the dividend paid to the shareholders. If it applies, this special charge must be paid by the REIT within two months after the dividend payment date.

In addition, as a complementary activity, the Company may further guarantee, grant loans or otherwise assist the Spanish SOCIMIs in which it holds a direct or indirect participation or which form part of the same group of companies as the Company.

The financial year begins on 1 January and ends on 31 December at of each year.

The Company was incorporated by means of a contribution in kind operation, through which the shareholders of the two Subsidiaries contributed all their shares to the Company (equity), based on the valuation performed by the Board of Directors of the Company on 1st December 2011. The valuation used was derived from the net equity of both Subsidiaries as of 30 September 2011 modified by fair value adjustments, which resulted in the share exchange ratio. By means of this share swap or contribution in kind operation, the Company holds all the shares of the two Subsidiaries. The Company was incorporated with 3,784,368 Shares with a nominal value of EUR 60.10 resulting on an initial share capital of EUR 227,440,517.

On 15 December 2011, the Board decided to increase the share capital with an amount of EUR 40,136,523 through the issuance of 667,829 new shares with a nominal value of EUR 60.10. On 31 December 2011, the Company's share capital of EUR 267,577,040 was divided into 4,452,197 shares with a nominal value of EUR 60.10 each. There are no different classes of shares. The shares have the same voting rights. The Company may issue further classes of shares. The Company may also issue new shares in order to finance acquisitions or to exchange such shares in case of acquisitions. Such capital increase has been offered for subscription to existing Shareholders and external Shareholders approached for this purpose by the Company. Some of the founders or existing Shareholders have waived their rights for subscription of new shares but two of them, PROMOCIONES Y CONSTRUCCIONES PYC, PRYCONSA, S.A. and COGEIN, S.L. subscribed to part of the capital increase (EUR 23,926,050.40). New investors to the rest of the capital increase (EUR 16,210,472.50). All shares of the Company have been issued under Luxembourg Law.

The shares, representing the entire share capital of the Company, were admitted to trading on the Luxembourg Stock Exchange’s regulated market and listed on the Official List of the Luxembourg Stock Exchange as at 21 December 2011. The shares were accepted for clearance through Euro clear and Clear stream under common code number 072069463. The ISIN code of the shares of the Company is LU0720694636 and the CBL long name SHS SAINTCROIX HOLDING IMMOBILIER S. A.

During the financial year 2012, there has been no corporate operation affecting the Share Capital of the Company.

The Company engages mainly in the ownership and operation of leased assets.

Note 2 - Significant accounting policies

2.1 Basis of preparation

2.1.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union by the Company's Management at the Board of Directors Meeting held on 19 December 2011.

2.1.2 Income and cash flow statement

The Group has elected to present a single statement of comprehensive income and presents its expenses by nature.

The Group reports cash flows from operating activities using the indirect method.

2.1.3 Preparation of the consolidated financial statements

The consolidated financial statements have been prepared on a going concern basis, applying a historical cost convention.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in Note 3.

These estimates relate basically to the following:

- The assessment of possible impairment losses on certain assets;
- The useful life of property assets;
- The calculation of provisions;
- The estimation of the corporate income tax.

Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the consolidated income statement for the years affected.

(a) The Group did not adopt relevant new and amended IFRS as of 1 January 2012.

(b) New and amended standards mandatory for financial year beginning 1 January 2012 but currently not relevant to the Group.

- Amendment to IFRS 1, 'First time adoption', on hyperinflation and fixed dates. The first amendment replaces references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRSs for the first time to restate de-recognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.

- Amendment to IAS 12, 'Income taxes' on deferred tax. Currently IAS 12, 'Income taxes', requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes-recovery of revalued non-depreciable assets', would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn.

(c) The following new and amended standards have been issued and are mandatory for the group's accounting periods beginning after 1 January 2012 or later periods and are expected to be relevant to the Group:

- Amendment to IAS 1, 'Financial statement presentation', regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially subject to reclassification to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

- IFRS 10, 'Consolidated financial statements'. The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. It defines the principles of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.

- IFRS 12, 'Disclosures of interests in other entities'. IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
- IFRS 13, 'Fair value measurement'. IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.
- Amendment to IAS 32, 'Financial instruments: Presentation', on asset and liability offsetting. These amendments are to the application guidance in IAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
- IFRS 9, 'Financial instruments'. IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and established two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance as per IAS 39 on impairment of financial assets and hedge accounting continues to apply.

(d) Standards and interpretations not yet effective and which are not expected to be relevant for the group.

Standards/ Interpretation	Content detail	Effective date
IFRS 1	Amendment to IFRS 1, 'First time adoption', on government loan	1 January 2013
IFRS 7	Amendment to IFRS 7, 'Financial instruments: Disclosures', an asset and liability offsetting	1 January 2013
IFRS 10,11,12	Amendment to IFRSs 10,11 and 12 on transition guidance	1 January 2014
IFRS 11	Joint arrangements	1 January 2014
IAS 27	Separate financial statements	1 January 2014
IAS 28	Associate and joint venture	1 January 2014
IFRIC 20	Stripping costs in the production phase of surface mine	1 January 2013
IAS 19	Amendments to IAS 19, ''Employee benefits''	1 January 2013

The directors have assessed that the implementation of the applicable standards will have no material impact on the consolidation financial statements, except for the amendment to IFRS 10. If the Fund is qualified as an investment entity, no consolidated financial statements will be prepared in the subsequent years.

(e) Early adoption of standards

The Group did not early adopt any new amended standards in 2012.

2.1.4 Common control using predecessor accounting

The Company has been incorporated on 1 December 2011 by means of a contribution in kind, through which the shareholders contributed all their shares in the subsidiaries mentioned below to the Company.

As a result of the shareholder reorganisation described above, the Company owns 100% of the shares of the following subsidiaries:

- Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U ("CIBRA");
- Compañía Ibérica de Rentas Urbanas 2009, SOCIMI, S.A.U ("CIRU").

The above transactions fall within the definition of a common control transaction which is defined within IFRS as being a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the combination, and that such control is not transitory.

IFRS 3 which deals with business combinations does not contain any specific guidance on accounting for common control transactions. In the absence of such guidance, the Board of Directors has proceeded to select an appropriate accounting policy using the hierarchy described in paragraphs 10 - 12 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, and has considered the pronouncements of other standard-setting bodies.

As a consequence, and in order to ensure consistency and comparability of the financial statements, the Board of Directors has elected to apply the pooling method and has hence utilized predecessor accounting for the purposes of accounting for this business combination in the consolidated financial statements as at and for the year ended 31 December 2011.

This treatment has the following implications for the year ended 31 December 2011:

- Full consolidation of the financial information of the controlled subsidiaries prepared under IFRS;
- The consolidated financial statements have been prepared as a continuation of the combined financial statements of CIRU and CIBRA as if the Company had been in existence throughout the reported periods presented and adjusting the Company's share capital to reflect the legal share capital;

- The consolidated profit and loss account for the period comprises the profit and loss accounts of the previously separate entities (the subsidiaries) combined from the beginning of the period until 1 December 2011 (the date of the incorporation of the Company, by means of the contribution in kind). From 1 December 2011 until 31 December the consolidated profit and loss account comprises the profit and loss accounts of the Company and its subsidiaries;
- No new goodwill arises, and the consolidated financial position is presented as of the statement of balance sheet and other financial information of the Company and its subsidiaries as at the beginning of the period as though the assets and liabilities had been transferred at that date;
- The following adjustment was required in order to reflect the common control presentation of the consolidated financial statements:
  - Elimination of the participation of the Company in the subsidiaries under common control. The remaining difference is recorded in equity as reserve.

2.1.5 Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

All the group companies have 31 December as their year end. Consolidated financial statements are prepared using uniform accounting policies for alike transactions. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.1.6 Prior period errors

During the establishment of the 2012 consolidated financial statements it has been identified that a deferred tax liability was incorrectly recognized against grant related to assets in the consolidated accounts for the year ended 31 December 2011. Furthermore, issuance costs were not accrued for during the year end 31 December 2011 and resulted in an understatement of the equity and the liability balances in the prior year. As both these errors occurred in the prior year financials, the Group shall restate the prior period comparative amounts in accordance with IAS 8.42a.

As the correction of the errors relates to the prior year comparative amounts, the 2012 statement of comprehensive income is therefore unaffected by the correction of prior period adjustment. The statements and notes impacted by this prior-year adjustment are the “Consolidated statement of financial position”, the “Consolidated statement of changes in equity” and the Note 10 “Grants related to assets”.

The prior year corrections did not impact the prior year earnings per share.

Impact of the adjustments on the “Consolidated statement of changes in equity”:

	Consolidation reserve
Balance at 31 December 2011 – Before adjustment	**(13,047,0514)**
Impact of the issuance costs not accrued in 2011	(477,800)
Balance at 31 December 2011 – Restated	**(13,525,314)**

Impact of the adjustments on the “Consolidated statement of financial position”:

EQUITY AND LIABILITIES	**BEFORE 31 December 2011 before adjustment**	**Impact of the adjustment**	**AFTER 31 December 2011 Restated**
EQUITY - Reserves	**(9.685,415)**	**(477,800)**	**(10,163,215)**
NON-CURRENT LIABILITIES			
Grants related to assets	1,497,312	351,221	1,848,533
Deferred tax liabilities	351,221	(351,221)	-
TOTAL	**(7,836,882)**	**(477,800)**	**(8,314,682)**

Note 3 - Accounting policies and measurement basis

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

3.1 Investment property

“Investment Property” in the consolidated balance sheet reflects the carrying amounts of the land, buildings and other structures held either to earn rentals or for capital appreciation as a result of future increases in market prices.

These assets are initially recognized at acquisition or production cost, less any accumulated depreciation and any accumulated impairment losses.

Subsequent to initial recognition, investment property is measured using cost model.

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

	Years of Estimated Useful Life
Buildings	50
Plant	15-20
Machinery	8
Other fixtures	20
Tools and furniture	10
Other items of property, plant and equipment	6-10

As indicated above, the Group depreciates its assets based on the years of estimated useful life detailed above, taking into consideration as a basis of depreciation the historical cost values of the assets, increased by any new investments when they lead to an increase in the assets' added value or estimated useful life.

As required by IAS 40, the Group periodically determines the fair value of its investment property items. Fair value is taken to be the amount at which two knowledgeable parties would be willing to perform a transaction. This fair value is determined taking as reference values the appraisals undertaken by independent valuators each year, so that at year-end the fair value reflects the market conditions of the investment properties at that date.

The method used to calculate the aforementioned fair value is as follows:

Impairment of investment property

Whenever there are indications of impairment, the Company (through its Subsidiaries) tests the investment property 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. The Group commissioned an asset appraisal as at 31 December 2012 that was issued on 31 January 2013 from an independent valuator, CBRE Valuation Advisory, S.A. (CBRE), to determine the fair value of most of its investment property at year-end (CBRE did not include investment properties acquired during 2012 in their analysis, since these were appraised, by other independent valuators, TasaSur, Sociedad de Tasación, S.A. and TINSA, Tasaciones Inmobiliarias, S.A., specifically appointed for the investment transactions). These appraisals were performed on the basis of the lower of replacement value and market rental value (which consists of capitalizing the net rental income from each property and discounting the future flows). The fair value was calculated by performing discounted cash flow projections using discount rates acceptable to a prospective investor, in line with those used in the market for properties of similar characteristics in similar locations. The appraisals were conducted in accordance with the Appraisal and Valuation Standards issued by the Royal Institute of Chartered Surveyors (RICS) of the United Kingdom.

Where it is necessary to recognise an impairment loss of a cash-generating unit, the carrying amount of the cash-generating unit's assets is reduced to the limit of the higher value between the following: fair value less costs to sell and value in use.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 recognized in prior years. A reversal of an impairment loss is recognized as income.

3.2 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 expenses from operating leases are recognized in the consolidated statement of comprehensive income on an accrual basis.

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.

Properties leased out under operating leases are included in investment property in the consolidated balance sheet.

Rental income receivable from operating leases is recognized on a straight line basis over the term of the lease.

The Group does not hold any assets under finance leases.

3.3 Financial instruments

3.3.1 Financial assets

Classification

Financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Group'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 and are classified under "Loans and Receivables".

Initial recognition

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

Subsequent measurement

"Loans and Receivables" are measured at amortised cost less provision for impairment.

At least at each reporting date the Group tests financial assets not measured at fair value for impairment. 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 recognized in the consolidated income statement.

In particular, the Group calculates valuation adjustments relating to trade and other receivables by recognising annual impairment losses on balances of a certain age or whose circumstances reasonably support their classification as doubtful debts.

The Group 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.

However, the Group 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.

3.3.2 Financial liabilities

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

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

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

3.3.3 Classification of balances as current and non-current

Current assets are assets associated with the normal operating cycle, which in general is considered to be one year; other assets which are expected to mature, be disposed of or be realised within twelve months from the end of the reporting period and cash and cash equivalents. Assets that do not meet these requirements are classified as non-current assets.

Similarly, current liabilities are liabilities associated with the normal operating cycle and, in general, all obligations that will mature or be extinguished at short term. All other liabilities are classified as non-current liabilities.

3.3.4 Provisions and contingent liabilities

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

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

In the preparation of the consolidated financial statements, the Management drew a distinction between:

- 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
- 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 control of the Group.

The consolidated 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 recognized in the consolidated financial statements, but rather are disclosed, unless the possibility of an outflow in settlement is considered to be remote.

3.4 Income tax

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

The income tax expense is recognized in the consolidated income statement, unless it arises as a consequence of a transaction, the result of which is recorded directly in equity, in which case the income tax expense is also recognized in equity.

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

Tax credits and other tax benefits, excluding tax withholdings and pre-payments, and tax loss carry forwards from prior years effectively offset in the current year reduce the current income tax expense.

Deferred tax assets and liabilities are the amounts expected to be recoverable or payable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and their tax bases used in calculating the taxable profit. They are recognized using the balance sheet liability method and are quantified at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

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

The deferred tax assets and liabilities recognized 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.

The special tax regime of the subsidiaries CIBRA and CIRU (REITs regime) is based on the application of a 19% income tax charge provided that they meet certain requirements. Among these, it is important to note the need for at least 80% of their assets to consist of either urban properties earmarked for lease and taken into full ownership or investments in companies that meet the same investment and profit distribution requirements, whether Spanish or foreign, whether listed or not on organised markets. Also, these entities' main sources of revenue must be the property market, whether through rent, the subsequent sale of properties after a minimum rental period or from income from investments in entities with similar characteristics. However, taxes are accrued in proportion to the dividends distributed by the subsidiaries. Dividends received by the Group are tax-exempt, unless the recipient is an individual subject to income tax or a permanent establishment of a foreign entity, in which case a tax credit will be taken on the gross tax payable such that the income will be taxed at the rate applicable to the shareholder. However, all other income will not be taxed provided that it is not distributed to shareholders.

An amendment of Spanish Law 11/2009, of 26 October, regulating Spanish Real Estate Investments Companies (SOCIMI) has been approved on 28 December 2012 effective for tax years beginning on or after 1 January 2013. The new amendment is regulated by the Law 16/2012, of 27 December 2012. One of the most relevant changes is the following: it establishes a tax rate of 0% for the SOCIMI with respect of the income coming from the development of its corporate purpose and specific purpose.

3.5 Revenue and expense recognition

Revenue and expenses are recognized on an accrual basis.

Specifically, revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Rental income is recognized on an accrual basis and the initial lease costs are allocated to income on a straight-line basis.

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

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 recognized as interest cost on an accrual basis.

3.6 Termination benefits

Under current legislation in Spain, the subsidiaries CIRU and CIBRA are required to pay termination benefits to employees terminated under certain conditions. Therefore, termination benefits that can be reasonably quantified are recognized as an expense in the year in which the decision to terminate the employment relationship is taken and valid expectations are created on the part of third parties. At 31 December 2012, no terminations were expected that would require recognizing a provision.

3.7 Statement of cash flows

The following terms are used in the statement of cash flows with the meanings specified:

- Cash flows: inflows and outflows of cash and cash equivalents;
- Operating activities: the principal revenue-producing activities of the Group and other activities that are not investing or financing activities;
- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents;
- Financing activities: activities that result in changes in the size and composition of the Group's equity and borrowings.

For the purposes of preparing the statement of cash flows, "Cash and cash equivalents" were considered to be cash, demand deposits and highly liquid short-term investments that can be easily realized in cash and are not subject to significant changes in value.

3.8 Grants, donations or gifts and legacies received

The Group measures grants at the fair value of the amount or the asset received by the Group, based on whether or not they are monetary grants, and they are taken to income in proportion to the period depreciation taken on the assets for which the grants were received or, where appropriate, on disposal of the asset or on the recognition of an impairment loss, except for grants received from shareholders or owners, which are recognized directly in equity and do not give rise to the recognition of any income.

3.9 Borrowing costs

Borrowing costs are charged to consolidated income statement in the period in which they are incurred.

3.10 Profit from operations

Profit from operations is presented before finance investment income and finance costs.

3.11 Costs relating to issuing and equity transactions

Costs related to the issuing costs and equity transactions expenses are classified in equity as consolidation reserve.

Note 4 - Segmental information

Basis of segmentation

For investment property, discrete financial information is provided on a property-by-property basis to the board of Directors, which is the chief operating decision maker. Consequently, each investment property is viewed as a reportable segment.

The most part of revenues generated by the investment properties relates to rental income (99.85%). The investment properties, as disclosed under Note 5 "Investment Property", are located in Spain. In that sense, the split of revenues per location is as follows:

Location	**EUR (2012)**	**EUR (2011)**	**% (2012)**	**% (2011)**
Madrid	7,737,336	7,561,891	47%	41%
Huelva	7,290,267	10,637,318	44%	58%
Castellón	1,188,626	-	7%	-
Cáceres	276,241	147,177	2%	1%
Total	**16,492,470**	**18,346,386**	**100%**	**100%**

As shown in above table, the Group locate the most part of the activity in Madrid and Huelva (91% in 2012 versus 99% in 2011) although the weight of Huelva in the total activity has decrease in 2012 due to the change of contract (from management to rental).

In addition, from a type of asset point of view it is interesting to point out the occupancy rate:

Type of asset	**2012**		**2011**	
	Square meters	**Occupancy rate (*)**	**Square meters**	**Occupancy rate (*)**
Hotels	118,457	100.00%	118,457	100.00%
Offices	24,488	35.91%	7,252	100.00%
Commercial premises	21,666	60.14%	19,810	100.00%
Total	**164,611**	**85.22%**	**145,519**	**100.00%**

(*) Total occupancy rate is calculated as an average

The occupancy rate between years has decreased due to the new investments performed in one of the subsidiaries (CIBRA) during the last quarter of 2012. The most part of the investments made had no tenant at the date of the investment.

The following table shows the geographical breakdown of rental revenue and total assets (fair and net book value), as reported under Note 5 “Investment property” for 2012.

	Revenues 2012	%	Net Book Value	Market Value	Unrealised Gains
Barceló Isla Canela Hotel	1,930,500	11.71%	21,428,937	24,428,000	2,999,063
Meliá Atlántico Hotel	1,840,774	11.16%	28,653,000	28,653,000	-
Iberostar Isla Canela Hotel	1,938,043	11.75%	21,411,927	21,439,000	27,073
Playa Canela Hotel	1,024,553	6.21%	13,878,000	13,878,000	-
Isla Canela Golf Hotel	274,291	1.66%	3,555,000	3,555,000	-
Marina Isla Canela Shop, Center	257,430	1.56%	2,614,000	2,614,000	-
Huelva	**7,265,591**	**44.05%**	**91,540,864**	**94,567,000**	**3,026,136**
Tryp Cibeles Hotel	1,139,826	6.91%	19,678,000	19,678,000	-
Gran Vía 34	2,482,026	15.05%	20,520,966	47,824,000	27,303,034
Tryp Atocha Hotel	1,749,500	10.61%	24,015,000	24,015,000	-
Pradillo 42	1,472,017	8.93%	16,571,000	16,571,000	-
Albalá 7	226,609	1.37%	2,614,000	2,614,000	-
Gran Vía 1-2° Right	83,485	0.51%	1,480,230	1,480,230	-
Gran Vía 1-1° Left	112,993	0.69%	1,778,000	1,778,000	-
Gran Vía 1-1° Right	90,032	0.55%	1,865,770	1,865,770	-
Gran Vía 1-2° Left	74,677	0.45%	1,725,000	1,725,000	-
Sanchinarro V	-	-	644,450	644,450	-
Sanchinarro VI	-	-	10,396,703	10,589,319	192,616
Sanchinarro VII	-	-	8,010,247	8,010,247	-
Vallecas Comercial I	1,200	0.01%	3,910,085	3,910,085	-
Vallecas Comercial II	13,800	0.08%	3,660,342	3,660,342	-
Coslada III	-	-	6,740,472	6,740,472	-
Caleruega	96,400	0.58%	975,064	1,255,000	279,936
Rutilo	80,896	0.49%	1,046,000	1,046,000	-
Dulcinea	113,875	0.69%	1,359,000	1,359,000	-
Madrid	**7,737,336**	**46.91%**	**126,990,329**	**154,765,915**	**27,775,586**
San Antón 25 and 27	276,241	1.67%	3,451,000	3,451,000	-
Cáceres	**276,241**	**1.67%**	**3,451,000**	**3,451,000**	**-**
Pza, España	1,188,626	7.21%	11,082,000	11,082,000	-
Castellón	**1,188,626**	**7.21%**	**11,082,000**	**11,082,000**	**-**
Total Revenues (rents)	**16,467,794**	**99.85%**	**233,064,193**	**263,865,915**	**30,801,722**
Other revenues (services)	24,677	0.15%			
Total Revenues (rents)	**16,492,471**	**100.00%**	**233,064,193**	**263,865,915**	**30,801,722**

The following table shows the breakdown per type of assets of rental revenue and total assets (fair and net book value), as reported under Note 5 "Investment property" " for 2012.

	Revenues 2012	%	Net Book Value	Market Value	Unrealised Gains
Barceló Isla Canela Hotel	1,930,500	11.71%	21,428,937	24,428,000	2,999,063
Meliá Atlántico Hotel	1,840,774	11.16%	28,653,000	28,653,000	-
Iberostar Isla Canela Hotel	1,938,043	11.75%	21,411,927	21,439,000	27,073
Tryp Cibeles Hotel	1,139,826	6.91%	19,678,000	19,678,000	-
Tryp Atocha Hotel	1,749,500	10.61%	24,015,000	24,015,000	-
Playa Canela Hotel	1,024,553	6.21%	13,878,000	13,878,000	-
Isla Canela Golf Hotel	274,291	1.66%	3,555,000	3,555,000	-
Hotels	**9,897,487**	**60.01%**	**132,619,864**	**135,646,000**	**3,026,136**
Pradillo 42	1,472,017	8.93%	16,571,000	16,571,000	-
Gran Vía 1-2° Right	83,485	0.51%	1,480,230	1,480,230	-
Gran Vía 1-1° Right	90,032	0.55%	1,865,770	1,865,770	-
Gran Vía 1-2° Left	74,677	0.45%	1,725,000	1,725,000	-
Sanchinarro V	-	-	644,450	644,450	-
Sanchinarro VI	-	-	10,396,703	10,589,319	192,616
Sanchinarro VII	-	-	8,010,247	8,010,247	-
Vallecas Comercial I	1,200	0.01%	3,910,085	3,910,085	-
Coslada III	-	-	6,740,472	6,740,472	-
Offices	**1,721,411**	**10.44%**	**51,343,957**	**51,536,573**	**192,616**
Marina Isla Canela Shop. Center	257,430	1.56%	2,614,000	2,614,000	-
Gran Vía 1-1° Left	112,993	0.69%	1,778,000	1,778,000	-
Vallecas Comercial II	13,800	0.08%	3,660,342	3,660,342	-
Caleruega	96,400	0.58%	975,064	1,255,000	279,936
Rutilo	80,896	0.49%	1,046,000	1,046,000	-
Pza. España	1,188,626	7.21%	11,082,000	11,082,000	-
Dulcinea 4	113,875	0.69%	1,359,000	1,359,000	-
Albalá 7	226,609	1.37%	2,614,000	2,614,000	-
Gran Vía 34	2,482,026	15.05%	20,520,966	47,824,000	27,303,034
San Antón 25 and 27	276,241	1.67%	3,451,000	3,451,000	-
Commercial premises	**4,848,896**	**29.40%**	**49,100,372**	**76,683,342**	**27,582,970**
Other revenues (services)	24,677	0.15%			
Total Revenues (rents)	**16,492,471**	**100.00%**	**233,064,193**	**263,865,915**	**30,801,722**

The following table shows the geographical breakdown of rental revenue and total assets (fair and net book value), as reported under Note 5 "Investment property" " for 2011

	Revenues 2011	%	Net Book Value	Market Value	Unrealised Gains
Barceló Isla Canela Hotel	2,100,150	11.45%	21,823,044	23,792,075	1,969,031
Riu Atlántico Hotel	2,235,192	12.18%	30,345,794	31,746,291	1,400,497
Iberostar Isla Canela Hotel	2,017,359	11.00%	21,536,253	23,867,322	2,331,069
Playa Canela Hotel	1,141,300	6.22%	14,111,798	14,128,222	16,424
Isla Canela Golf Hotel	407,863	2.22%	3,885,432	4,963,356	1,077,924
Marina Isla Canela Shop. Center	241,468	1.32%	3,739,196	3,739,196	-
Huelva	**8,143,332**	**44.39%**	**95,441,517**	**102,236,462**	**6,794,945**
Tryp Cibeles Hotel	1,115,167	6.08%	20,010,851	20,562,087	551,236
Gran Vía 34	2,418,693	13.18%	20,857,584	21,183,949	326,365
Tryp Atocha Hotel	1,699,297	9.26%	29,301,398	29,474,500	173,102
Apartments at Gran Vía, 1	483,567	2.64%	9,453,213	9,589,157	135,944
Pradillo 42	1,436,148	7.83%	16,438,811	16,509,000	70,189
Albalá 7	220,876	1.20%	2,541,162	2,552,300	11,138
Rutilo	79,984	0.44%	1,209,461	1,214,600	5,139
Caleruega	-	-	980,767	980,767	-
Dulcinea	105,159	0.57%	1,294,143	1,300,200	6,057
Madrid	**7,558,891**	**41.20%**	**102,087,390**	**103,366,560**	**1,279,170**
San Antón 25 and 27	147,177	0.80%	3,719,987	3,748,200	28,213
Cáceres	**147,177**	**0.80%**	**3,719,987**	**3,748,200**	**28,213**
Pza. España	-	-	14,800,336	15,090,200	289,864
Castellón	**-**	**-**	**14,800,336**	**15,090,200**	**289,864**
Total Revenues (rents)	**15,849,400**	**86.39%**	**216,049,230**	**224,441,422**	**8,392,192**
Management Riu Atlantico Hotel	2,496,986	13.61%			
Total Revenues (rents)	**18,346,386**	**100.00%**	**216,049,230**	**224,441,422**	**8,392,192**

The following table shows the breakdown per type of assets of rental revenue and total assets (fair and net book value), as reported under Note 5 “Investment property” ” for 2011

	Revenues 2011	%	Net Book Value	Market Value	Unrealised Gains
Barceló Isla Canela Hotel	2,100,150	11.45%	21,823,044	23,792,075	1,969,031
Riu Atlántico Hotel	2,235,192	12.18%	30,345,794	31,746,291	1,400,497
Iberostar Isla Canela Hotel	2,017,359	11.00%	21,536,253	23,867,322	2,331,069
Tryp Cibeles Hotel	1,115,167	6.08%	20,010,851	20,562,087	551,236
Tryp Atocha Hotel	1,699,297	9.26%	29,301,398	29,474,500	173,102
Playa Canela Hotel	1,141,300	6.22%	14,111,798	14,128,222	16,424
Isla Canela Golf Hotel	407,863	2.22%	3,885,432	4,963,356	1,077,924
Hotels	**10,716,328**	**58.41%**	**141,014,570**	**148,533,853**	**7,519,283**
Pradillo 42	1,436,148	7.83%	16,438,811	16,509,000	70,189
Apartments at Gran Vía, 1	483,567	2.64%	9,453,213	9,589,157	135,944
Offices	**1,919,715**	**10.46%**	**25,892,024**	**26,098,157**	**206,133**
Marina Isla Canela Shop. Center	241,468	1.32%	3,739,196	3,739,196	-
Caleruega	-	-	980,767	980,767	-
Rutilo	79,984	0.44%	1,209,461	1,214,600	5,139
Pza. España	-	-	14,800,336	15,090,200	289,864
Dulcinea 4	105,159	0.57%	1,294,143	1,300,200	6,057
Albalá 7	220,876	1.20%	2,541,162	2,552,300	11,138
Gran Vía 34	2,418,693	13.18%	20,857,584	21,183,949	326,365
San Antón 25 and 27	147,177	0.80%	3,719,987	3,748,200	28,213
Commercial premises	**3,213,357**	**17.51%**	**49,142,636**	**49,809,412**	**666,776**
Management Riu Atlantico Hotel	2,496,986	13.61%			
Total Revenues (rents)	**18,346,386**	**100.00%**	**216,049,230**	**224,441,422**	**8,392,192**

The split of each type of asset value within the total fair market value and net book value of the Company is shown as follows (2012 in comparison to 2011):

Type of asset	2012		2011	
	Fair Value	Net Book Value	Fair Value	Net Book Value
Hotels	51.45%	56.90%	66.18%	65.27%
Offices	19.47%	22.03%	11.63%	11.98%
Commercial premises	29.08%	21.07%	22.19%	22.75%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Finally, the following tables show the contribution of each type of asset in the result of the year (2012 and 2011):

2012 financial year	**Hotels**	**Offices**	**Commercial**	**Others**	**Total**
Revenues	9,897,487	1,721,411	4,848,896	24,677	16,492,471
Overheads	(2,786,202)	(193,297)	(337,875)	(999)	(3,318,373)
EBITDA	**7,111,285**	**1,528,114**	**4,511,021**	**23,678**	**13,174,098**
% on revenues	***71.85%***	***88.77%***	***93.03%***	***95.95%***	***79.88%***
Depreciation and amortisation charge	(2,320,337)	(453,036)	(800,592)	-	(3,573,965)
Allocation of grants	108,717	-	-	-	108,717
Result from operations I	**4,899,665**	**1,075,078**	**3,710,429**	**23,678**	**9,708,850**
% on revenues	***49.50%***	***62.45%***	***76.52%***	***95.95%***	***58.87%***
Impairment losses	(6,556,877)	(1,824,848)	(5,819,139)	-	(14,200,864)
Result from operations II	**(1,657,212)**	**(749,770)**	**(2,108,710)**	**23,678**	**(4,492,014)**
Financial result	1,097,143	424,760	406,200	-	1,928,103
Income tax	(18,766)	(3,264)	(9,194)	(47)	(31,270)
Net result	**(578,835)**	**(328,273)**	**(1,711,704)**	**23,631**	**(2,595,181)**
% on revenues (1)	***60.40%***	***86.94%***	***84.71%***	***95.76%***	***70.37%***

(1) excluding impairment losses effect

2011 financial year	**Hotels**	**Offices**	**Commercial**	**Total**
Revenues	13.213.314	1.919.715	3.213.357	18.346.386
Overheads	(3.470.595)	(142.031)	(237.742)	(3.850.368)
EBITDA	**9.742.719**	**1.777.684**	**2.975.615**	**14.496.018**
% on revenues	***73,73%***	***92,60%***	***92,60%***	***79,01%***
Depreciation and amortisation charge	(3.955.660)	(406.756)	(492.762)	(4.855.178)
Allocation of grants	175.275	-	-	175.275
Result from operations I	**5.962.334**	**1.370.928**	**2.482.853**	**9.816.115**
% on revenues	***45,12%***	***71,41%***	***77,27%***	***53,50%***
Impairment losses	(1.456.688)	(1.034.233)	(1.552.397)	(4.043.318)
Result from operations II	**4.505.646**	**336.695**	**930.456**	**5.772.797**
Financial result	613.010	89.082	149.112	851.205
Income tax	(965.009)	(140.235)	(234.735)	(1.339.978)
Net result	**4.153.647**	**285.543**	**844.834**	**5.284.024**
% on revenues (1)	***42,46%***	***68,75%***	***74,60%***	***50,84%***

(1) excluding impairment losses effect

Note 5 - Investment property

The changes in "Investment Property" in the balance sheet in 2012 and 2011 and the most significant information affecting this line item were as follows (in euro):

2012:

	EUR			
Investment property	**Balance as at 31.12.11**	**Additions**	**Disposals/ reversals**	**Balance as at 31.12.12**
Cost: Properties for rental/lease	234,755,643	34,789,791	-	269,545,434
Total cost	**234,755,643**	**34,789,791**	**-**	**269,545,434**
Accumulated depreciation: Properties for rental/lease	(13,860,467)	(3,573,963)	-	(17,434,430)
Total accum. depreciation	**(13,860,467)**	**(3,573,963)**	**-**	**(17,434,430)**
Accumulated impairment losses: Properties for rental/lease	(4,845,946)	(15,011,896)	811,033	(19,046,809)
Total impairment losses	**(4,845,946)**	**(15,011,896)**	**811,033**	**(19,046,809)**
Investment property, net	**216,049,230**	**16,203,932**	**811,033**	**233,064,195**

2011:

	EUR		
Investment property	**Balance as at 31.12.10 (unaudited)**	**Additions**	**Balance as at 31.12.11**
Cost: Properties for rental/lease	214,988,810	19,766,833	234,755,643
Total cost	**214,988,810**	**19,766,833**	**234,755,643**
Accumulated depreciation: Properties for rental/lease	(9,005,289)	(4,855,178)	(13,860,467)
Total accum. depreciation	**(9,005,289)**	**(4,855,178)**	**(13,860,467)**
Accumulated impairment losses: Properties for rental/lease	(802,628)	(4,043,318)	(4,845,946)
Total impairment losses	**(802,628)**	**(4,043,318)**	**(4,845,946)**
Investment property, net	**205,180,893**	**10,868,337**	**216,049,230**

"Investment Property" includes the carrying amount of the properties that are ready for their intended use and are leased through one or more operating leases and of vacant properties earmarked for lease through one or more operating leases.

During the year ended 31 December 2012, the Group recognized impairment losses of EUR 15,011,896 (2011: EUR 4,043,318) on its investment properties for which the market value calculated in the appraisals conducted during the year by the independent valuators (CBRE Valuation Advisory S.A., in 2011 TECNITASA and GABINETE DE TASACIONES INMOBILIARIAS) was less than the carrying amount. Similarly, for certain assets, the group has reversed impairment losses recognised in prior year amounting to EUR 811,033 since the fair value of the properties exceeded their carrying amount after recognising accumulated depreciation and impairment losses. The appraisals were conducted in accordance with the Appraisal and Valuation Standards issued by the Royal Institute of Chartered Surveyors (RICS) of the United Kingdom.

Fair valuation:

The best evidence of fair value is current prices in an active market for similar assets. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgment, the Group considers information from a variety of sources including:

i. Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

ii. Recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

iii. Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

In 2012 and 2011, Management decided to utilise valuations from external independent valuators in order to determine market value of its real estate investments. The fair values of investment properties are determined by the latter using discounted cash flow valuation techniques. A cash flow period of 10 years is taken into consideration and is based on an estimate of the future potential net income generated by use of the properties. External valuators use assumptions that are mainly based on market conditions existing at each balance sheet date.

The principal assumptions for the estimation of fair value are those related to: the potential use of the asset, the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. Fair value is the highest value, determined from market evidence, by considering any other use that is financially feasible, justifiable and reasonably probable.

The Management estimates that a decrease of 1% in the yields would imply a decrease of the market value of investment properties by EUR 29 Million while an increase of 1% would imply an increase by EUR 40 Million.

The detail of the assets on which an impairment loss was recognised at 31 December 2012 is as follows:

Properties	2012	2011
Tryp Atocha Hotel	4,593,608	1,254,770
Plaza de España	3,811,786	-
Tryp Cibeles Hotel	-	201,918
Meliá Atlántico Hotel	1,151,592	-
Pradillo, 42	-	1,034,233
Marina Isla Canela shopping Centre	1,029,184	44,665
Albalá 7	-	231,188
Gran Vía 1 - 1° Right	843,819	311,500
Playa Canela Hotel	772,005	-
Dulcinea 4	-	174,607
Gran Vía 1 - 2° Right	655,270	222,673
Gran Vía 1 - 1° Left	519,817	309,818
Office at Gran Vía 1	406,437	-
San Antón 25 and 27	281,338	133,482
Vallecas Comercial II	241,337	-
Isla Canela Golf Hotel	230,369	-
Coslada III	192,616	-
Rutilo	142,605	124,464
Sanchinarro VII	140,113	-
Total impairment losses recognised (in EUR)	**15,011,896**	**4,043,318**

The detail of the assets on which a reversal of impairment was recognised at 31 December 2012 is as follows:

Properties	EUR
Pradillo, 42	413,407
Tryp Cibeles Hotel	190,697
Albalá 7	117,594
Dulcinea 4	89,335
Total impairment losses reversed in 2012	**811,033**

The total market value based on the appraisals conducted by the valuators amounted to EUR 263,711,519 at 31 December 2012 (2011: EUR 222,752,685) as detailed below. The unrealised gains not recognized in the Group's accounting records, arising on the assets owned by it, amounted to EUR 30,609,107 (2011: EUR 6,703,455) based on the appraisals performed.

The fair value, detailed per property, of the investment property at the end of 2012 is as follow (in euros):

Property	EUR
Gran Vía, 34	47,824,000
Meliá Atlántico Hotel	28,653,000
Barceló Isla Canela Hotel	24,428,000
Tryp Atocha Hotel	24,015,000
Iberostar Isla Canela Hotel	21,439,000
Tryp Cibeles Hotel	19,678,000
Pradillo, 42	16,571,000
Playa Canela Hotel	13,878,000
Sanchinarro VI	10,406,312
Sanchinarro VII	8,016,281
Coslada III	6,748,027
Vallecas Comercial I	3,918,555
Vallecas Comercial II	3,665,916
Isla Canela Golf Hotel	3,555,000
San Antón 25 and 27	3,451,000
Marina Isla Canela shopping Centre	2,614,000
Albalá 7	2,614,000
Gran Vía 1 - 1° Right	1,865,770
Plaza de España	1,778,000
Gran Vía 1 - 2° Right	1,725,000
Office Gran Vía 1	1,480,230
Caleruega	1,255,000
Dulcinea 4	1,359,000
Gran Vía 1 - 1° Left	1,046,000
Rutilo	1,046,000
Sanchinarro V	645,428
Total fair value	**263,711,519**

The main additions recognized in “Investment Property” in 2012 relate to the purchase from a related company (Promociones y Construcciones, PYC, PRYCONSA, S.A.), of various property assets in six completed developments located in Sanchinarro, Vallecas and Coslada (Madrid), with the intention of being leased by the Company as offices. The acquisition cost of these properties was EUR 33,974,585, which was paid in cash by cheque (see Note 7 and 16.1). This acquisition cost was determined through appraisals of the properties conducted by independent valuators not related to the Company (TASASUR and TINSA).

The main additions recognized in “Investment Property” in 2011 relates to:

- The purchase from a related company (Promociones y Construcciones, PYC, PRYCONSA, S.A.) of five commercial premises, which are completed and for rent, on Caleruega in Madrid. The acquisition cost of these premises amounted to EUR 980,967 at the date of acquisition.

This value is the same as the appraisal performed by the independent valuators not connected to the Group (TECNITASA);

- The purchase on 29 December 2011 of commercial premises of 3,350 square meters from CODES Capital Partners, S.L., located at Plaza de España 5 in Castellón. The acquisition price of these premises was EUR 14,800,432. This value is based on the up-to-date appraisal conducted by an independent valuator not connected to the Group (Gabinete de Tasaciones Inmobiliarias, S.A.);
- The purchase on 15 June 2011 of ten commercial premises from Promoción, Gestión y Marketing Inmobiliario, S.A., with a total built area of 1,736 square meters, located at San Antón in Cáceres. The acquisition price of these premises was EUR 3,881,604. This value is based on the up-to-date appraisal conducted by an independent valuator not connected to the Group (Gabinete de Tasaciones Inmobiliarias, S.A.).

The detail of the square meters of the investment property owned by the Group is as follows:

Properties	**Square meters**
Meliá Atlántico Hotel	30,311
Iberostar Isla Canela Hotel	27,500
Barceló Isla Canela Hotel	20,494
Playa Canela Hotel	20,050
Isla Canela Golf Hotel	4,378
Tryp Atocha Hotel	9,229
Pradillo, 42	7,252
Tryp Cibeles Hotel	6,495
Marina Isla Canela shopping Centre	6,119
Coslada III	4,499
Sanchinarro VI	4,272
Sanchinarro VII	3,399
Vallecas Comercial II	3,370
Plaza de España	3,350
Vallecas Comercial I	3,282
Gran Vía, 34	3,231
San Antón, 25 and 27	1,736
Albalá, 7	1,522
Dulcinea, 4	922
Rutilo	593
Gran Vía, 1 – 1º Right	554
Gran Vía, 1 - 2º Right	530
Gran Vía, 1 – 1º Left	461
Office at Gran Vía 1	430
Caleruega	362
Sanchinarro V	270
Total square metres	**164,611**

The five first hotels detailed in the foregoing table are located in Isla Canela (Huelva) and were mortgaged at 31 December 2012 for EUR 37,827,467 (2011: EUR 49,712,261), relating to five bank loans granted to Isla Canela, S.A., a related party, which is the single debtor of the principal obligations under these loans. CIBRA was incorporated as the non-debtor owner of the aforementioned registered properties.

On 1 January 2010, Isla Canela, S.A. and CIBRA entered into a "Mortgage Service Agreement" whereby the latter will provide the mortgage service to the former. In this respect, the hotels owned by the latter will be liable for the repayment by the former of the mortgage loans arranged with banks, in accordance with the covenants entered into in the mortgage deeds, until each loan has been definitively repaid. Isla Canela S.A. is obliged to make all the timely repayments and settle any ancillary costs that might arise until the mortgage loans have been definitively repaid. In relation to the provision of the service described, Isla Canela, S.A. will pay CIBRA a fee of an annual lump sum equal to 0.25% of the annual average outstanding balance of the mortgage loans, calculated at 31 December of each year, which will be billed and paid on the last day of each calendar year. This amount may be modified annually by agreement between the parties in order to adapt it to the average market price to be paid by CIBRA for the provision of bank guarantees (bank guarantees and insurance) by financial institutions.

The other investment properties described above are located mainly in Madrid, Castellón and Cáceres.

The Group has taken out insurance policies that cover the possible risks to which all its investment property is subject.

In 2012 and 2011, the rental income earned from investment property owned by the Group amounted to EUR 16,467,793 and EUR 15,852,400, respectively (see Note 14.1).

On 1 June 2011, the professional services agreement relating to the management, operation and administration of the Riu Atlántico Hotel was converted into a property lease agreement for hotel use. Consequently, in 2012 the Subsidiary (CIBRA) did not earn any income from the management of that hotel but only from the lease thereof. The lease agreement with Riu expired in 31 October 2012 and a new lease agreement of the hotel was entered into in May 2012 with Meliá Hotels International, S.A., expiring in May 2022, which shall become effective from April 2013. The hotel has been closed since November 2012 and is currently being refurbished. It is envisaged that it will be delivered to the new tenant in April 2013. The works are being performed according to the planning agreed with the tenant. It means that the hotel will be open on time according to that.

At the end of 2012 there were no restrictions on making new investment property investments, on the collection of rental income there from or in connection with the proceeds to be obtained from a potential disposal thereof.

At 2012 year-end the Group had fully depreciated certain fittings and furniture of the five first hotels detailed in the table below for a total amount of EUR 4,652,100. Other investments properties have not been fully depreciated at 2012 year end. The detail per hotel is as follows:

Properties	**EUR Historic gross cost fully depreciated**
Meliá Atlántico Hotel	573.818
Iberostar Isla Canela Hotel	1.287.557
Barceló Isla Canela Hotel	954.811
Playa Canela Hotel	1.099.820
Isla Canela Golf Hotel	736.094
Total fully depreciated	**4.652.100**

There were no investment property purchase commitments or investment properties located abroad at 31 December 2012.

Note 6 - Operating leases

At 31 December 2012, the Group had arranged the following minimum lease payments with its lessees, based on the agreements currently in force, disregarding any passed-on common expenses, future CPI-linked increases and future contractually-stipulated rent reviews. The most significant operating leases relate to the lease of properties, which constitutes the base of the Group's activities, the detail of the related minimum lease payments being as follows (in EUR):

Minimum operating lease payments	**Nominal value**	**Nominal value**
	31-12-2012	**31-12-2011**
Within one year	14,163,980	16,720,790
Between one and five years	52,247,891	76,490,145
After five years	28,922,825	42,960,006
Total (*)	**95,334,696**	**136,170,941**

(*) It includes additions of investment property in the year and excluding possible lease renewals and annual CPI revisions.

The main leases in force at 2012 year-end were the following:

- Lease of Playa Canela Hotel: the lease commenced on 15 July 2002, expires on 31 October 2022, and is renewable at the discretion of the parties. The lease provides for annual CPI-linked increases.

- Lease of Barceló Isla Canela Hotel: the lease commenced on 1 March 2006, expires on 31 December 2022, and is renewable at the discretion of the parties. Also, the parties may terminate the agreement without incurring any penalties in 2017. In relation to future rental income, the agreement provides for annual CPI-linked increases.

- Lease of Meliá Atlántico Hotel: the lease will commence in April 2013 for a term of ten years and the parties may terminate it in 2017 without incurring any penalties, provided that certain conditions are met. The lease provides for annual CPI-linked increases.

- Lease of Iberostar Isla Canela Hotel: the lease commenced on 1 December 2007 and was renewed in 2012. It expires on 31 October 2022 and is renewable at the discretion of the parties. The lease provides for annual CPI-linked increases.
- Lease of Isla Canela Golf Hotel: the lease was arranged on 31 December 2012 with the related company Isla Canela, S.A., to commence activities on or after 14 January 2013. The term of the lease was extended until 31 December 2014. However, once the initial term has expired, the lease may be extended by three-year periods, provided that an agreement has been reached beforehand by the parties. The lease provides for annual CPI-linked increases.
- Lease of Tryp Atocha Hotel, Madrid: the lease commenced on 4 June 1999 and expired on 4 June 2009, and was subsequently extended until 24 March 2022, renewable at the discretion of the parties. The lease provides for annual CPI-linked increases.
- Lease of Tryp Cibeles Hotel, Madrid: the lease commenced on 10 February 1998 and expired on 10 February 2008. It was subsequently extended until 15 March 2020, renewable at the discretion of the parties. The lease provides for annual CPI-linked increases.
- Lease of premises at c/Albalá, 7, Madrid: the lease commenced on 31 July 2002 and expires on 31 July 2027. The lessee may terminate the lease in 2016 provided that twelve months' notice is given. The lease provides for annual CPI-linked increases.
- Lease of premises at c/ Dulcinea, 4, Madrid: the lease commenced on 17 February 2003 and expires on 17 February 2018, renewable at the discretion of the parties. The lease provides for annual CPI-linked increases.
- Lease of a building at c/Pradillo, 42, Madrid: the lease commenced on 27 February 2009 and expires on 27 February 2019, renewable at the discretion of the parties. The lease provides for annual CPI-linked increases.
- Lease of premises at Gran Vía, 34, Madrid: the lease commenced on 24 April 2000 and expires on 3 May 2025. It is renewable at the discretion of the parties and can be terminated in 2020. The lease provides for annual CPI-linked increases.
- Lease of premises at Plaza de España 5, Castellón: the lease commenced on 1 July 2007 and expires on 18 November 2023, renewable at the discretion of the parties. The lease provides for annual CPI-linked increases.
- Lease of premises at c/San Antón 25, Cáceres: the lease commenced on 15 July 2005 and expires on 15 December 2035, renewable at the discretion of the parties. The lease provides for annual CPI-linked increases.

There was no contingent rent at 31 December 2012.

Note 7 - Financial assets, non-current and current loans to related companies and associates

The Group generates surplus cash through ordinary trading operations arising from its main line of business. In this regard, as a result of this and in order to maximize the return on its positive cash flows, the Group has entered into various financing agreements with related parties on an arm’s length basis (see Note 16). These amounts are disclosed in the consolidated balance sheet in “Loans to related companies” for the non-current portion and in “Loans to related companies” for the current portion.

“Financial assets” includes the guarantees received from customers and deposited in the Madrid Institute for Housing (IVIMA) in relation to the leases indicated in Note 6.

Exceptionally, at 31 December 2012 and as a result of having acquired various property assets in certain property developments from the related company Promociones y Construcciones, PYC, PRYCONSA, S.A. (see note 16.1), CIBRA has an account payable to that company, within the financing framework mentioned previously, totaling EUR 10,440,266, which is recognized under “Non-Current Liabilities - Non-Current Payables to Group Companies and Associates" in the accompanying balance sheet.

The main change in “Loans to Group Companies” relates to the settlement of the account receivable arising from the investment transactions mentioned in Notes 5 and 16.1. Similarly, the main change in "Other Financial Assets" relates to the guarantees given for the properties leased by CIRU. The additions in 2012 relate to the guarantees provided for the new leases arranged during the year.

Note 8 - Information on the nature and level of risk of financial instruments

The Group’s financial risk management is centralized in the Group’s Financial Department and has established the mechanisms required to control exposure to exchange rate fluctuations and credit and liquidity risk. There has not been any change in the objectives, policies and process to manage risks compared to last year. The main financial risks affecting the Group are as follows:

8.1 Credit risk

The Group’s credit risk is mainly due to the loan to the related company COGEIN, S.L. (see note 16.1). The corporate purpose of this company is mainly real estate and financial investments. It makes its investment activities, promotion and development with a proven track record for over 30 years, also continuing to work with banks on a regular basis. The Company is solvent and generates positive cash flow in the development of its activities. For these reasons, Group management considers that credit risk is very low or nonexistent.

The Group’s credit risk is also attributable to its trade receivables which are reflected net of allowances for doubtful debts, estimated by Group management based on prior years' experience and on its assessment of the current economic environment.

The Group's financing needs are covered in the short term, due to its capacity to generate cash through ordinary trading operations arising from its rental assets management business and the possibility of financing with related companies. Additionally, the leases are arranged with entities of acknowledged solvency and are billed on a monthly or quarterly basis.

8.2 Liquidity risk

Liquidity risk is due to the timing mismatches between the funds required to cater for commitments relating to working capital requirements and the funds obtained from the Company's ordinary business activities.

The Management considers that the financing needs envisaged for 2013 are sufficiently covered due to the Group's capacity to generate cash through ordinary trading operations (projected rental income) and, accordingly, he does not expect any liquidity risks to arise that have not already been taken into account in the cash projections.

8.3 Foreign currency risk

At 31 December 2012, the Group did not have any significant assets or liabilities denominated in foreign currencies and, accordingly, there is no foreign currency risk.

8.4 Interest rate risk

The Company and CIBRA did not have any borrowings at 31 December 2012. The latter lends its cash surplus to related companies in accordance with the financing conditions agreed upon with these companies by virtue of certain financing agreements (three-month EURIBOR plus a spread of 1.25%). In view of the nonexistence of bank borrowings and the existence of receivables from related companies, Management considers that there is no interest rate risk. In this scenario, CIBRA does not arrange interest rate hedges.

CIRU has bank borrowings relating to loans arranged with La Caixa and Caja Extremadura. The purpose of the loan from La Caixa was to finance the investment in new premises located in Castellón, which were acquired in 2011. The loan from Caja Extremadura relates to a mortgage on the property located at San Antón Street, in Cáceres.

The loans described above are not significant considering the financial position of the Group. Also, the Management of the Group does not consider that the evolution of the interest rate in the future will have a relevant negative impact in the results of the Group.

For this reason, the Management of the Group decided to not enter into interest rate hedges. Management of the Group continues however to monitor on a regular basis fluctuation of interest rates.

<u>Interest rate sensitivity analysis</u>

Considering the weighted average financial debt of the Company (related and non-related to Group) during 2012 financial year, should interest rates have been higher by 100 basis points with all other variables constant, the decrease on the Group's net result would amount to KEUR 56.

8.5 Property business risks

Changes in the economic situation, both in Spain and internationally, rates of growth in occupancy, employment and interest rates, tax legislation and consumer confidence all have a considerable impact on property markets. Any adverse effect on these or other economic, demographic or social variables in Europe and Spain in particular could cause a downturn in the property business in these countries. The cyclical nature of the economy has been proven statistically, as has the existence of micro- and macroeconomic factors that have a direct or indirect impact on the performance of the property market and, in particular, the rental market which represents the Group's principal investment activity.

Management's strategy is to invest in core assets located in well located areas. Considering the quality of the assets held by the Group, Management considers that the variation in the valuations of the Group's assets should not be relevant and therefore should not significantly affect its results.

Management also assessed the risk related to the insurance coverage of the investment properties. The difference between the net book value (net of land cost) and the insured value of the investment properties is estimated to circa EUR 60 Million for the whole portfolio. It is mainly related to certain properties (Gran Vía 34, Tryp Cibeles Hotel, Tryp Atocha Hotel, Pradillo 42 and Premises in Pza. España in Castellón) which representing 85% of the said difference. Management is currently reviewing the insurance policy to increase the insured value of these properties but still considers that the risk for the Group remains low.

Note 9 - Equity and shareholders' equity

9.1 Registered share capital

As described in Note 1, shareholder structure has been reorganized in 2011. The Company, being the sole shareholder of CIBRA and CIRU, has been incorporated on 1 December 2011 with a share capital amounted to EUR 227,440,516.80, represented by 3,784,368 fully subscribed and paid shares of EUR 60.10 par value each, all of the same class and carrying the same rights and obligations.

On 15 December 2011, the shareholders of the Company resolved to increase the Company's share capital by EUR 40,136,523, which was paid through monetary contributions by the issuance of 667,829 new registered shares with a par value of EUR 60.10. As result, the share capital of the Company is represented by 4,452,197 shares with a par value of EUR 60.10 which represent an amount of EUR 267,577,039.70.

All the Company's shareholders fully subscribed and paid both of the share capital increases in the proportion that corresponds to each of them.

As a result of the common control presentation described in Note 2.1.4, the increase in share capital on a consolidation basis as presented in the consolidated statement of changes in equity for 2011, amounts to EUR 55,876,832, as the prior year balance represents the combined share capital of the subsidiaries prior to the incorporation of the Company.

On 21 December 2011, all the shares of the Company were admitted to trading on the Luxembourg Stock Exchange. The opening share price was EUR 60.10. The share price at 2012 year-end was EUR 60.76 (2011: EUR 60.10).

9.2 Legal reserve

For CIRU and CIBRA, incorporated under the laws of Spain, 10% of the net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

The Company, incorporated under the laws of Luxembourg, is required to allocate a minimum of 5% of its annual net income to the legal reserve, until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.

9.3 Consolidation reserve

In order to reflect the common control presentation, a consolidation reserve is presented in the consolidated financial statements for the year ended 31 December 2012. This consolidation reserve is the result of the following adjustments:

- The elimination of the participation of the Company in the subsidiaries, CIRU and CIBRA, amounting to a total of EUR 270,809,147 as at 31 December 2012 (2011: EUR 266,940,517) against the share capital of the subsidiaries amounting to a total of EUR 257,828,807 (2011: EUR 253,960,177). The remaining difference of EUR 12,980,340 has been recorded in equity as consolidation reserve.
- Also, the costs related to the issuing costs and equity transactions expenses are amounting to EUR 544,974 and are classified in consolidation reserve.

9.4 Distribution of profit to the Company

CIBRA and CIRU are regulated by Spanish Real Estate Investment Trusts Law 11/2009, of 26 October. REITs are required to distribute in the form of dividends to shareholders, once the related corporate obligations have been met, the profit obtained in the year, the distribution of which must be approved within six months of each year-end, as follows:

- At least 90% of distributable profits before taxes not arising from the transfer of property, shares or investments to which the company object refers and of profits relating to income from ancillary activities.
- At least 50% of the profits arising from the transfer of property, shares or investments to which the company object refers. The remainder of these profits should be reinvested in other buildings or investments related to the performance of this object within three years from the transfer date. Otherwise these profits should be distributed in full together with any profit arising in the year in which the reinvestment period expires. If the items subject to reinvestment are transferred before the maintenance period, the related profits must be distributed in full together with any profits arising in the year in which they were transferred. The distribution obligation does not extend to the portion of these profits, if any, assignable to years in which the company did not file tax returns under the special tax regime established in Law 11/2009.
- All of the profit arising from dividends or shares of profits distributed by the entities to which Article 2.1 of Law 11/2009 refers. The dividend must be paid within one month from the dividend declaration date. The payment obligation does not extend to the portion of profit arising from income subject to the standard tax rate.

When dividends are distributed with a charge to reserves out of profit for a year in which the special tax regime had been applied, the distribution must be approved subject to the conditions set out in the preceding paragraph.

The legal reserve of companies which have chosen to avail themselves of the special tax regime established in Law 11/2009 must not exceed 20% of the share capital The bylaws of these companies may not establish any other restricted reserve.

9.5 Management of capital

The Company is admitted to trading on the Luxembourg Stock Exchange. It may raise funds by issuing new shares on the market.

CIRU and CIBRA are financed mainly by equity. They may only raise funds on the credit markets in the case of new investments, by financing the acquisition of these investments through mortgage loans.

CIRU and CIBRA are obliged to distribute at least 90% of its profits in the form of dividends to the Sole Shareholder in accordance with the legal obligation in force through the application of Law 11/2009. In this respect, the new updated regulatory requirements should be considered from 1 January 2013 (Note 1).

9.6 Voluntary reserve

Voluntary reserve is composed by the reserves of CIRU and CIBRA generated since the incorporation of the companies in 2009 and are created as a 10% of the net profit after 10% of legal reserve allocation.

The balance relating to voluntary reserves is recognized gross since these reserves are not taxed. When the voluntary reserves are distributed, a 19% withholding tax is applied to the recipients.

Note 10 - Grants related to assets

The changes in "Grants Related to Assets" in 2012 and 2011 were as follows (in EUR):

2012:

	31/12/11	Amounts used	Additions	31/12/12
Grants related to assets	1,848,533	(108,717)	-	1,739,816
Total	**1,848,533**	**(108,717)**	**-**	**1,739,816**

2011:

	31/12/10 (unaudited)	Amounts used	Additions	31/12/11
Grants related to assets	1,989,888	(175,275)	33,921	1,848,533
Total	**1,989,888**	**(175,275)**	**33,921**	**1,848,533**

As a result of a prior-period adjustment described in Note 2.1.6, grants related to assets have been restated by EUR 351,221. The total amount of grants related to assets increased after the correction from EUR 1,497,312 to EUR 1,848,533.

All the grants have been awarded to CIBRA in prior years relating to the Directorate General of Regional Economic Incentives for KEUR 3,180 to develop the area. The collection of grants included the following:

- Grant from the Directorate General of Regional Economic Incentives, amounting to KEUR 1,550 and corresponding to 10% of the investment made in a hotel in Ayamonte (Huelva).
- Grant from the Directorate General of Regional Economic Incentives, amounting to KEUR 1,106 and corresponding to 10% of the investment made in a hotel in Ayamonte (Huelva).

- Grant from the Directorate General of Regional Economic Incentives, amounting to KEUR 490 and corresponding to 14% of the investment made in a hotel in Ayamonte (Huelva).
- Grant from the Directorate General of Regional Economic Incentives, amounting to EUR 34 thousand to improve the facilities of Barceló Isla Canela Hotel in Ayamonte, (Huelva).

Except for the grant awarded to Barceló Isla Canela Hotel in 2011, the aforementioned grants above were transferred to CIBRA from Isla Canela, S.A., since all these grants were associated with the business that was transferred. Due to the fact that the aforementioned partial spin-off transaction was carried out on 1 January 2009 for accounting purposes, CIBRA recognized the allocation of the amounts of the transferred grants to profit or loss from that date.

In this regard, in 2012, EUR 108,717 was recognized as income under “Allocation to profit or loss of grants related to non-financial non-current assets and other grants” in the income statement (2011: EUR 175,275).

Grants are due upon completion of the constructions subject to the grant. All the conditions have been fulfilled and there are no contingencies with regards to the money already received by CIBRA.

Note 11 - Other financial liabilities

The detail of “Other financial liabilities” at 31 December 2012 and 2011 is as follows (in EUR):

	EUR	
	31-12-12	**31-12-11**
Non-current bank borrowings	8,611,106	10,994,817
Guarantees and deposits	1,798,552	1,674,716
Total non-current payables	**10,409,658**	**12,669,533**
Current bank borrowings	1,215,551	-
Total current payables	**1,215,551**	**-**

The borrowing costs incurred on the bank borrowings in 2012 amounted to EUR 248,593 (2011: EUR 30,520) and are recognized under “Finance Costs” in the accompanying consolidated income statement. The interest rates on the loans are set at market rates plus a fixed spread.

"Non-current bank borrowings" relates to the loans arranged with la Caixa and Caja Extremadura. The loan from la Caixa relates to a loan taken out to invest in the new premises acquired in Castellón in 2011. The loan from Caja Extremadura mortgages the building on San Antón in Cáceres. Due to the ordinary repayment schedules of these loans, the repayments envisaged in 2013, amounting to EUR 1,215,551, were classified at short term.

“Guarantees and Deposits” includes the rent deposits received from customers.

Note 12 – Guarantee commitments to third parties

The detail, by maturity, at 31 December 2012 is as follows (in EUR):

	2013	2014	2015	2016	2017 and subsequent years	Total
Non-current payables	1,215,551	1,236,242	1,257,202	1,278,541	4,839,121	9,826,657
Rent deposits	-	-	-	-	1,798,552	1,798,552
Total	**1,215,551**	**1,236.242**	**1,257,202**	**1,278,541**	**6,637,673**	**11,625,210**

At 31 December 2012, the Group had not provided any guarantees to third parties.

As indicated in Note 5, the five hotels owned by CIBRA are mortgaged for EUR 37,827,467 (2011: EUR 49,712,261), relating to five bank loans granted to Isla Canela, S.A. which is the sole debtor for the principal related obligations. This amount relates to the outstanding balance at 30 December 2012 of the aforementioned five long-term mortgage loans corresponding to each hotel. In this regard, as indicated in Note 5, CIBRA entered into a mortgage guarantee agreement with Isla Canela, S.A. whereby CIBRA became liable for the repayment by Isla Canela, S.A. of the mortgage loans on the hotels owned by CIBRA until the loans have been definitively repaid. CIBRA charged a fee equal to 0.25% of the average annual outstanding balance of the guaranteed mortgage loans.

Note 13 - Tax matters

13.1 Current tax receivables and payables

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

Tax receivables:

	EUR	
	31/12/12	**31/12/11**
Current:		
VAT refundable	7,972,881	2,592,538
Income Tax refundable	322,332	-
Tax withholdings and prepayments	811,999	406,860
Total	**9,107,212**	**2,999,398**

Tax payables:

	EUR	
	31/12/12	31/12/11
Current:		
Income Tax payable	-	10,289
Personal income tax withholdings payable	11,416	32,511
Accrued social security taxes payable	1,215	917
Total	**12,631**	**43,717**

13.2 Reconciliation of the accounting profit to the taxable profit

The reconciliation of the accounting loss to the taxable profit for income tax purposes for 2012 and 2011 is as follows (in EUR):

2012:

	EUR
Accounting loss before tax	**(2,563,916)**
Income tax expense calculated at 19% (*) Other adjustments in accordance with the special tax regime as explained in note 3.3.5	26,696 -
Tax expense reported in income statement relating to SOCIMIs	**29,696**
Taxable profit subject to tax in Luxembourg Tax expense reported in income statement relating to the Company (Minimum tax payable in Luxembourg)	- 1,575
Total tax expense reported in the income statement of the Group	**31,271**

(*) Calculated on the profit subject to tax in Spain for CIBRA at a tax rate of 19% (EUR 156.295 x 19%). CIRU has no taxable profit for the year.

2011:

	EUR
Accounting profit before tax	**6,624,002**
Income tax expense calculated at 19% Other adjustments in accordance with the special tax regime as explained in note 3.3.5	1,258,560 79,843
Tax expense reported in income statement relating to SOCIMIs	**1,338,403**
Taxable profit subject to tax in Luxembourg Tax expense reported in income statement relating to the Company (Minimum tax payable in Luxembourg)	- 1,575
Total tax expense reported in the income statement of the Group	**1,339,978**

At 31 December 2012, the tax losses carried forward of the Company are amounting to EUR 5,280,318 (2011: EUR 579,682).

13.3 Years open for review and tax audits

Under current legislation in Spain, 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 31 December 2012, CIBRA and CIRU have all years since inception open for review for all taxes applicable to it. The Management considers 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. The shareholders that incorporated the Company on 1 December 2011 have committed to indemnify the Company should any additional liability arise in relation to any tax contingency in the frame of the Subsidiaries with regards to the special tax regime applied by the Subsidiaries since 1 January 2009 to 1 December 2011, the date of incorporation of the Company.

Note 14 - Income and expenses

14.1 Rental of properties

The detail of "Revenue" at 31 December 2012 and 2011 is as follows (in EUR):

	2012	2011
Barceló Isla Canela Hotel	1,930,500	2,100,050
Riu Atlántico Hotel	1,840,773	2,235,192
Iberostar Isla Canela Hotel	1,938,043	2,017,359
Playa Canela Hotel	1,024,553	1,141,300
Isla Canela Golf Hotel	274,291	407,863
Marina Isla Canela Shopping Centre	257,430	241,467
Gran Via 1	83,485	73,360
Tryp Cibeles Hotel	1,139,826	1,115,167
Gran Vía, 34	2,482,026	2,418,693
Tryp Atocha Hotel	1,749,500	1,699,297
Pradillo, 42	1,472,017	1,436,148
Albalá, 7	226,609	220,876
Gran Vía, 1	277,703	413,209
Plaza de España	1,263,200	-
Vallecas Comercial I	1,200	-
Vallecas Comercial II	13,800	-
Caleruga	96,400	-
Other rentals	396,437	332,319
Rental revenue subtotal	**16,467,793**	**15,852,400**
Services rendered	24,677	-
Riu operation	**-**	**2,493,986**
Total revenue	**16,492,470**	**18,346,386**

14.2 Other operating expenses

Other operating expenses are composed by "Outside Services" and "Taxes Other than Income Tax" in 2012 and 2011 which can be detailed as follows (in EUR):

	2012	2011
Rent and royalties	13,564	157,581
Repairs and upkeep	1,022,872	83,800
Independent professional services	473,624	356,620
Insurance premiums	83,208	73,749
Banking and similar services	9,072	4,854
Advertising, publicity and public relations	56,577	73,097
Utilities	430	130,510
Other services (*)	130,280	239,305
Donations	-	73,970
Taxes other than income tax	806,966	481,556
Total direct operating expenses	**2,596,593**	**1,675,042**
Impairment of and charges in allowances for trade receivables	28,119	43,111
Total operating expenses	**2,624,712**	**1,718,153**

(*) It includes EUR 113,570 of services provided by related parties according to Note 16

14.3 Staff and employee benefit costs

The detail of "Staff and employee benefit costs" in 2012 and 2011 is as follows (in EUR):

	2012	2011
Staff costs:	322,124	1,032,968
Employer social security costs	56,293	301,305
Other employee benefit costs	-	4,868
Total	**378,477**	**1,339,141**

Note 15 - Earning per share

Basic earnings per share are calculated by dividing the net profit (loss) attributable to shareholders by the weighted average number of ordinary shares outstanding during the year.

	2012	2011	2010
Net profit (loss) attributable to shareholders	(2,595,181)	5,284,024	- (*)
Weighted average number of ordinary shares in issue	4,452,197	4,118,282	- (*)
Basic earnings per share	**(0.58)**	**1.28**	**- (*)**

(*) Following the reorganisation of the shareholder structure described in Note 1, Management decided to present the earnings per share after the reorganisation only.

The Company has no dilutive potential ordinary shares. The diluted earnings per share are the same as the basic earnings per share.

Notes 16 - Related party transactions and balances

16.1 Related party transactions

The detail of the related party transactions and balances in 2012 and 2011 is as follows (in EUR):

2012:

	2012			
	Loans to related companies	**Payable to Group companies**	**Finance income**	**Service costs**
Isla Canela, S.A.	44,414	14,784	140,628	81,774
PRYCONSA, S.A.	-	10,440,266	651,058	31,796
COGEIN, S.L.	40,897,787	-	1,428,811	-
Total	**40,942,201**	**10,455,050**	**2,220,497**	**113,570-**

2011:

	2011		
	Loans to Group companies	**Finance income**	**Finance Costs**
Isla Canela, S.A.	7,765,160	264,056	-
PRYCONSA, S.A.	17,671,166	306,405	-
COGEIN, S.L.	9,784,536	329,459	-
Other shareholders	-	-	25,82
Total	**35,220,862**	**899,920**	**25,82**

Related parties are the following:

- Promociones y Construcciones, PYC, PRYCONSA, S.A. It has:
  - 18.00000% of interest in Isla Canela, S.A.
  - 11.19357% of interest in the Company
- COGEIN, S.L.: It has:
  - 2.71843% of interest in Promociones y Construcciones, PYC, PRYCONSA, S.A.
  - 9.15520% of interest in Isla Canela, S.A.
  - 9,65335% of interest in the Company

As at 31 December 2012, the following contracts are in force with regards to the Subsidiaries and related parties:

a) In 2010 Isla Canela, S.A. and CIBRA entered into a financing agreement whereby the latter financed the former with the cash surplus it generated, at market rates. The term of the agreement is three years, automatically renewable for further three-year periods. The financing agreement with Isla Canela, S.A. accrues interest at three-monthly EURIBOR plus a spread similar to the variable portion of the spread of the mortgage loans of Isla Canela, S.A. (see Note 12).). The financial interest recorded in CIBRA during 2012 financial year has amounted EUR 23,932.

b) In 2010 a financing agreement was arranged between PRYCONSA and CIBRA, through which CIBRA will transfer its cash surpluses to PRYCONSA. The agreement will mature in January 1, 2013, and was automatically renewable for further three-year periods subject to one month notice. As at December 2, 2012 the Company has not received cancellation notice from Pryconsa S.A. and therefore the agreement is automatically renewed until January 1, 2016. It accrues interest at three-month EURIBOR plus 1.25% on the average balance for the year. The financial interest recorded in CIBRA during 2012 financial year has amounted EUR 651,058.

c) As indicated in Note 7, CIRU arranged a financing agreement on January 2010 with the related company COGEIN, S.L. on an arm's-length basis. The purpose of this agreement is that, provided that CIRU has covered the financial needs arising from its activities, the latter is committed to finance COGEIN's financial needs arising from its normal activity and corporate purpose. Interest are calculated based on a legal interest of 4% as determined by the State Budget (Government) and published in the Official Gazette, on the outstanding balance and are due on a quarterly basis. The term of the agreement is set to two years automatically renewable for periods of two years unless expressly terminated by parties. The increase of the balance in comparison to prior year is due to the reallocation of the cash outstanding from prior year share capital increase as well as the excess of cash received during the financial year 2012 from rental income.

d) On 1 June 1 2012, Isla Canela S.A. and CIBRA signed a contract to provide services related to the maintenance of the hotels owned by CIBRA. Isla Canela S.A. provides a full preventative maintenance service in exchange for an economic compensation equivalent to EUR 74,500 per year increased annually by the CPI. The contract does not expire, is annual and renewable by the parties tacitly although, at any time, either party may terminate it. The expense recorded in the income statement of CIBRA in 2012 for this concept has been of EUR 43,458.

e) Additionally, this mentioned contract signed on 1 June 2012 includes a management service addendum with regards to the reforms that CIBRA is entitled to perform in the hotels owned and subject to maintenance. Isla Canela SA is, under this addendum, acts as the director of reform works. The financial compensation for Isla Canela S.A. in exchange for this service is a 5% of the value of works performed in relation to these reforms. The expense recorded in the income statement of CIBRA in 2012 for this concept has been EUR 38,316.

f) The five hotels owned by CIBRA were mortgaged at 31 December 2012 for EUR 37,827,467 (2011: EUR 49,712,261), relating to five bank loans granted Isla Canela, S.A. which is the single debtor of the principal obligations under these loans. CIBRA was incorporated as the non-debtor owner of the aforementioned registered properties. On 1

January 2010, Isla Canela, S.A. and CIBRA entered into a "Mortgage Service Agreement" whereby the latter will provide the mortgage service to the former. In this respect, the hotels owned by the latter will be liable for the repayment by the former of the mortgage loans arranged with banks, in accordance with the covenants entered into in the mortgage deeds, until each loan has been definitively repaid. Isla Canela S.A. is obliged to make all the timely repayments and settle any ancillary costs that might arise until the mortgage loans have been definitively repaid. In relation to the provision of the service described, Isla Canela, S.A. will pay CIBRA a fee of an annual lump sum equal to 0.25% of the annual average outstanding balance of the mortgage loans, calculated at 31 December of each year, which will be billed and paid on the last day of each calendar year. This amount may be modified annually by agreement between the parties in order to adapt it to the average market price to be paid by CIBRA for the provision of bank guarantees (bank guarantees and insurance) by financial institutions. The financial income recorded in CIBRA during 2012 financial year has amounted EUR 116,696.

g) On January 1, 2010, PRYCONSA and CIBRA signed a contract to provide administration services by which PRYCONSA provides to CIBRA certain minimum administration services. The contract is signed on an annual basis and tacitly renewed by the companies in exchange of a compensation equivalent to EUR 30,000 per year increased by the annual CPI from the first year of the contract. The expense recorded in CIBRA due to this administration service contract in 2012 has been EUR 31.796.

As indicated in Note 5, in addition to the purchase in 2011 of five commercial premises for a total acquisition cost of KEUR 980,967, the Group purchased to Promociones y Construcciones, PYC, PRYCONSA, S.A. certain property assets in six completed developments located in Sanchinarro, Vallecas and Coslada (Madrid), with the intention of being leased as offices. The acquisition cost of these properties was EUR 33,974,585, fully paid in cash. This acquisition cost was determined through appraisals of the properties conducted by independent valuators not related to the Company (TASASUR and TINSA).

Related parties PRYCONSA and COGEIN also rendered some administrative and other services during the year to the Company without remuneration. The counterparts confirmed that there is no claim for remuneration in relation to the services rendered.

16.2 Remuneration of directors and senior executives

The yearly fixed compensation granted to the members of the management for the financial year is as follows:

- Director A: EUR 12,000 (2011: nil)
- Directors B: EUR 3,688 in total (2011: EUR 492) as per service agreements

The Group did not have any pension or life insurance premium payment obligations to former or current directors. (Additionally, there were no termination benefits or equity instrument-based payments.)

No advances or loans were granted to senior executives or Board members.

16.3 Other related parties

Other related parties include Marco Colomer Barrigón, who has significant influence over the Company, given that he is a Director of the Company and also has a 12. 8127079% interest in the share capital of the Company. Marco Colomer Barrigón and José Luis Colomer Barrigón are brothers and related parties because they are close family members of Colomer Family.

Apart from the mentioned interest, there were no transactions with these related parties during the year, other than the directors fees paid.

Note 17 - Other contingent liabilities

In 2011 Vincci Hoteles, S.A., the lessee of Vincci Selección Canela Golf Hotel abandoned the building and ceased to pay the quarterly rent maturing on 15 October 2011. Accordingly, the Company was obliged to instigate the necessary legal contractual mechanisms in view of the breach by the lessee. In 2012 the Company executed the guarantee provided by the lessee, and recognised under "Revenue - Revenue of Properties" in the accompanying income statement the rental income that would correspond up until the date of termination of the agreement. The Company recognised the guarantee surplus of EUR 179,094 under "Other Operating Income - Non-Core and Other Current Operating Income" in the accompanying income statement.

The management and its legal advisors do not consider there to have been any breach of the lease agreement and, accordingly, declare that the termination of the lease is groundless and, consequently, not effective. Furthermore, since the management considers that it was Vincci Hoteles, S.A. that breached the payment obligation of its rental income, use of the property and term of the aforementioned agreement, the Company filed a court claim against them on 12 March 2012 and on 26 December 2012, for additional compensation of EUR 947,732.

The management does not expect any significant liabilities to arise from this possible litigation.

Note 18 - Other disclosures

18.1 Headcount

The average number of employees in 2012, by category, was as follows:

Category	2012	2011
Management	1	2
Line personnel and middle management	-	7
Clerical staff	1	2
Operative staff	6	42
Total	**8**	**53**

18.2 Fees paid to auditors

In 2012 and 2011, the fees for the financial audit services and other professional services provided by the Group's auditor, or by a firm related to the auditor by control, common ownership or management were as follows (in EUR):

	Services provided by the auditor and related companies	
	2012	**2011**
Audit services	138,050	142,240
Other attest services	-	38,000
Total audit and related services	**138,050**	**180,240**
Tax counselling services	-	-
Other services	-	-
Total professional services	**138,050**	**180,240**

Note 19 - Events after the reporting period

There is no significant subsequent event to report that might have a direct impact in the consolidated financial statements of the Group.

Notwithstanding the foregoing, Law 16/2012 was approved on 27 December 2012, whereby various tax measures were adopted aimed at consolidating public finances and promoting economic activities, by introducing certain amendments to the tax and legal regimes of Real Estate Investment Trusts (SOCIMI) and also to investment and other requirements. The most noteworthy amendments to the aforementioned Law, which came into force on 1 January 2013, are as follows: (see Note 1 and 3.3.5)

1. Flexibility of entry and of property-holding criteria: there is no minimum to the number of properties that must be contributed in the incorporation of a REIT, except in the case of housing units, where a minimum contribution of eight is required. Properties must remain on the Company's balance sheet for a minimum period of 3 years, instead of the seven-year period required previously.
2. Lower capital requirements and unrestricted leverage threshold: the minimum capital required has been reduced from EUR 15 million to EUR 5 million, eliminating the restriction on the maximum debt limit of the property investment vehicle.
3. Decrease in distribution of dividends: before this Law came into force, the obligatory distribution of profit was 90%, and this obligation was reduced to 80% from 1 January 2013.
4. A 0% corporate income tax rate was established for REITs. However, when the dividends paid by the REIT to its shareholders with an ownership interest of more

than 5% are exempt or taxed at a rate below 10%, the REIT will be subject to a special charge of 19%, which shall be treated as corporate income tax on the amount of the dividend paid to the shareholders. If it applies, this special charge must be paid by the REIT within two months after the dividend payment date.

In this regard, some of the requirements are more flexible, most notably the possibility of trading on a multilateral trading system, and the elimination of the requirements for external financing. The most significant change is the establishment of a tax of zero percent for income resulting from the development of their corporate purpose and specific purpose. Consequently the changes in the Spanish Law regulating the Subsidiaries will have a positive impact on the Subsidiaries and by extension on the Company, given that the tax rate applicable to the distribution of dividends will decrease and some other requirements (investment ratio and financing requirements amongst others) will be less constraining.

Report of the Réviseur d'Entreprises Agréé on the consolidated financial statements

Deloitte Audit
Société à responsabilité limitée

560, rue de Neudorf
L-2220 Luxembourg
B.P. 1173
L-1011 Luxembourg

Tel: +352 451 451
Fax: +352 451 452 992
www.deloitte.lu

To the Shareholders of
Saint Croix Holding Immobilier S.A.
9b, Boulevard Prince Henri
L-1724 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGRÉÉ

Report on the consolidated financial statements

Following our appointment by the Board of Directors, we have audited the accompanying consolidated financial statements of Saint Croix Holding Immobilier S.A., which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 44 to 94.

Responsibility of the Board of Directors' for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted in the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

Société à responsabilité limitée au capital de 35.000 €
RCS Luxembourg B 67.895
Autorisation d'établissement : 10022179

Deloitte.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Saint Croix Holding Immobilier S.A. as of December 31, 2012 and its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union.

Report on other legal and regulatory requirements

The management report as set out on pages 3 to 21, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

The accompanying Corporate Governance Statement as set out on pages 22 to 40, which is the responsibility of the Board of Directors, includes the information required by the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, and the description included with respect to Article 68bis paragraphs c and d of the aforementioned law is consistent with the consolidated financial statements.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*
Partner

April 29, 2013

Annual Accounts

As at and for the year ended 31 December 2012

Balance sheet as at 31 December 2012

	Notes	31.12.2012	31.12.2011
ASSETS		**EUR**	**EUR**
Fixed assets			
• Financial fixed assets	2.2.2, 3		
- shares in affiliated undertakings		266,414,614	266,940,517
Current assets			
• Debtors	**2.2.3**		
- other receivables			
· becoming due and payable within one year		-	11,321
• Cash at bank, cash in postal cheque accounts, cheques and cash in hand		11,807	542,282
		11,807	*553,603*
Prepayments		5,000	-
TOTAL ASSETS		**266,431,421**	**267,494,120**

	Notes	31.12.2012	31.12.2011
LIABILITIES		**EUR**	**EUR**
Equity	4		
• Subscribed capital		267,577,040	267,577,040
• Loss brought forward		(581,257)	-
• Result for the financial year/period		(647,335)	(581,257)
		266,348,448	266,995,783
Non-subordinated debts	**2.2.4**		
• Trade creditors			
- becoming due and payable within one year		81,123	496,731
• Amounts owed to affiliated undertakings			
- becoming due and payable within one year		-	31
• Tax and social security debts	**6**	1,850	1,575
		82,973	498,337
TOTAL LIABILITIES		**266,431,421**	**267,494,120**

The accompanying notes form an integral part of these annual accounts.

Profit and loss account for the financial year ended 31 December 2012

	Notes	From 01.01.2012 to 31.12.2012	From 01.12.2011 to 31.12.2011
		EUR	EUR
CHARGES			
Other external charges	**7**	282,782	579,682
Other operating charges	**9**	23,321	-
Value adjustments on financial fixed assets	**3**	4,394,533	-
Income tax	**6**	1,575	1,575
Other taxes not included in the previous caption	**6**	275	-
Profit for the financial year/period		-	-
TOTAL CHARGES		**4,702,486**	**581,257**
INCOME			
Income from financial fixed assets			
- derived from affiliated undertakings	**10**	4,055,151	-
Loss for the financial year/period		**647,335**	**581,257**
TOTAL INCOME		**4,702,486**	**581,257**

The accompanying notes form an integral part of these annual accounts.

Notes to the accounts as at 31 December 2012

Note 1 - General information

Saint Croix Holding Immobilier S.A. (hereafter "the Company") was incorporated on 1 December 2011 and is organized under the laws of Luxembourg as a « société anonyme » for an unlimited period.

The registered office of the Company is established at 9, Boulevard Prince Henri, L 1724 Luxembourg.

The Company is registered with the "Registre de Commerce et des Sociétés" under R.C.S. B 165 103.

The Corporate Purpose of the Company includes the holding of equity interests in Luxembourg and/or foreign Company(ies) and mainly in Spanish Real Estate Investments Companies (Spanish acronym: SOCIMI) or in other companies, whether resident or not in Spain, which have a corporate purpose similar to those of Spanish SOCIMIs and which are subject to earnings distribution requirements that are similar to that established by legal or statutory policy for Spanish SOCIMIs. These SOCIMIs are to be resident in Spain and covered by the special tax regime under the conditions established in the Spain Law 11/2009 of 26 October.

In addition, as a complementary activity, the Company may further guarantee, grant loans or otherwise assist the Spanish SOCIMIs in which it holds a direct or indirect participation or which form part of the same group of companies as the Company.

The financial year begins on 1 January and ends on 31 December at of each year, with the exception of the first period which began on 1 December 2011 (date of incorporation) and ended on 31 December 2011.

The Company also prepares consolidated financial statements, which are published according to the provisions of the Luxembourg Law.

Note 2 – Summary of significant accounting policies

2.1 General principles

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost convention.

Notes to the accounts as at 31 December 2012 - continued

Note 2 – Summary of significant accounting policies - continued

2.2 Valuation rules

2.2.1 Formation expenses

The formation expenses are directly written off in the financial period in which they are incurred.

2.2.2 Financial fixed assets

Shares in affiliated undertakings are recorded at their acquisition price including the expenses incidental thereto.

In case of durable depreciation in value according to the opinion of the Management, value adjustments are made in respect of financial fixed assets, so that they are valued at the lower figure to be attributed to them at the balance sheet date.

These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

2.2.3 Debtors

Debtors are valued at their nominal value. They are subject to value adjustments where to the opinion of the Management their recovery is compromised.

The value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

2.2.4 Debts

Debts are recorded at their repayment value.

2.2.5 Foreign currency translation

The books of the Company are kept into EUR and the annual accounts are prepared in this same currency.

Transactions expressed in currencies other than EUR are translated into EUR at the exchange rate effective at the time of the transaction. Long-term assets expressed in currencies other than EUR are translated into EUR at the exchange rate effective at the time of the transaction. At the balance sheet date, these assets remain translated at historical exchange rates.

Cash at bank is translated at the exchange rate effective at the balance sheet date. Exchange losses and gains are recorded in the profits and loss account of the year/period.

Notes to the accounts as at 31 December 2012 - continued

Note 2 – Summary of significant accounting policies - continued

Other assets and liabilities are translated separately respectively at the lower or at the higher of the value converted at the historical exchange rate or the value determined on the basis of the exchange rates effective at the balance sheet date. The unrealized exchange losses are recorded in the profit and loss account. The exchange gains are recorded in the profit and loss account at the moment of their realization.

Where there is an economic link between an asset and a liability, these are values in total according to the method described above and the net unrealized losses are recorded in the profit and loss account and the net unrealized exchange gains are not recognized.

2.2.6 Charges and income

Other external charges, interest expense and interest income are booked on an accrual basis.

Note 3 - Financial fixed assets

The movements of financial fixed assets for the financial year are as follows:

Shares in affiliated undertakings	Total 2012	Total 2011
	EUR	EUR
Gross book value – opening balance	**266,940,517**	**-**
Additions for the year (*)	3,868,630	266,940,517
Gross book value – closing balance	**270,809,147**	**266,940,517**
Accumulated value adjustment – opening balance	**-**	**-**
Allocations for the year (**)	(4,394,533)	-
Accumulated value adjustment – closing balance	**(4,394,533)**	**-**
Net book value – closing balance	266,414,614	266,940,517
Net book value – opening balance	266,940,517	-

(*) The Company has reinvested part of the dividend received during the year from its Subsidiaries (refer to note 10).

Notes to the accounts as at 31 December 2012 – continued

Note 3 - Financial fixed assets - continued

The amount invested is as follows:

Subsidiary	EUR
Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.U. (CIBRA) Compañía Ibérica de Rentas Urbanas 2009 SOCIMI, S.A.U. (CIRU)	3,490,000 378,630
Total reinvested in share capital in 2012	**3,868,630**

(**) The management decided to record a value adjustment of EUR 4,394,533 on its participation in CIBRA in order to reflect the decrease in value of the latter. This decision is mainly resulting from the decrease in value compared to last year of some underlying properties held by the subsidiary.

The analysis performed by the management to test the durable decrease in value is based on the estimation of the net equity of the subsidiaries taking into account the revaluation of the investment properties from their net book value to their fair value (as determined by independent valuators).

Therefore, in consideration of the adjustment described above for purposes of durable impairment testing, the net equity values including revaluation of investment properties amount to EUR 125,404,673 for CIBRA and EUR 165,373,266 for CIRU as at 31 December 2012.

Accordingly, the net book value of CIBRA has been impaired by EUR 4,394,533 to EUR 125,404,673 and no impairment was recorded on CIRU.

The net equity values of the subsidiaries as disclosed below are based on Spanish GAAP where the accounting policy for investment properties is the "cost method".

Undertakings in which the Company holds at least 20% in their share capital are as follows:

Name and registered office	**%**	**Net book value as at 31 December 2012**	**Net equity as at 31 December 2012 (*), (**)**	**Result for the year ending 31 December 2012 (*)**
		EUR		
Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.U. Glorieta de Cuatro Caminos, 6-7 Madrid (Spain)	100%	125,404,673	123,507,850	199,923
Compañía Ibérica de Rentas Urbanas 2009 SOCIMI, S.A.U. Calle San Vicente Ferrer, 60, Madrid (Spain)	100%	141,009,941	138,070,233	(2,487,151)

(*) Audited annual accounts under Spanish GAAP.

(**) It includes share of result on the year.

Notes to the accounts as at 31 December 2012 – continued

Note 4 - Subscribed capital

The Company was incorporated on 1 December 2011 with a capital of EUR 227,440,517 represented by 3,784,368 shares with a par value of EUR 60.10 each.

By a resolution dated 15 December 2011, the Board of Directors of the Company decided to increase the share capital by an amount of EUR 40,136,523 so as to raise the subscribed capital to EUR 267,577,040 by the creation and issue of 667,829 shares with a par value of EUR 60.10 each.

The authorized capital amounts to EUR 270,000,000.

	Subscribed capital	**Legal reserve**	**Loss brought forward**	**Result for the financial year / period**	**Total**
As at 31 December 2011	**267,577,040**	**-**	**-**	**(581,257)**	**266,995,783**
Movements for the year:					
Allocation of previous period result	-	-	(581,257)	581,257	-
Result for the financial year	-	-	-	(647,335)	(647,335)
As at 31 December 2012	**267,577,040**	**-**	**(581,257)**	**(647,335)**	**266,348,448**

Note 5 - Legal reserve

In accordance with the Luxembourg company law, the Company is required to transfer a minimum of 5% of its net profit for each financial year to a legal reserve. This requirement ceases to be necessary once the balance on the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the shareholders. During the year, no allocation was made to legal reserve due to accumulated losses.

Notes to the accounts as at 31 December 2012 – continued

Note 6 - Tax

The Company is subject to all taxes applicable to Luxembourg companies.

Note 7 - Other external charges

	2012 EUR	2011 EUR
Rent and service charges	8,451	700
Bank charges	572	878
Legal fees	14,005	87,234
Audit fees	106,050	10,100
Accounting fees	38,363	15,000
Directorship fees	7,932	492
Custodian fees	8,500	110,500
Professional fees	98,909	354,778
Total	**282,782**	**579,682**

Note 8 – Emolument granted to the members of the management

The yearly fixed compensation granted to the members of the management for the financial year is as follows:

- Director A: EUR 12,000 (2011: nil)
- Directors B: EUR 3,688 in total (2011: EUR 492) as per service agreements

Note 9 – Other operating charges

The other operating charges are composed of non-recoverable VAT for an amount of EUR 11,321 and Director A' remuneration (refer to 8).

Note 10 – Income

The General Annual Meeting of Compañía Ibérica de Bienes Raíces, 2009, SOCIMI, S.A.U. and Compañía Ibérica de Rentas Urbanas 2009, SOCIMI, S.A.U. held on 28 June 2012 resolved to distribute a dividend to the Company amounting respectively to EUR 3,585,667 and EUR 469,484. As commented above (note 3), the Company reinvested a relevant part of the dividend received from its Subsidiaries by two capital increases as follows:

Subsidiary	EUR
Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.U. (CIBRA)	3,490,000
Compañía Ibérica de Rentas Urbanas 2009 SOCIMI, S.A.U. (CIRU)	378,630
Total reinvested in share capital in 2012	**3,868,630**

Notes to the accounts as at 31 December 2012 – continued

Note 11 - Staff number

The Company did not have any employee during the year.

Note 12 - Subsequent events

There is no significant subsequent event to report that might have a direct impact in the annual accounts of the Company.

Notwithstanding the foregoing, Law 16/2012 was approved on 27 December 2012, whereby various tax measures were adopted aimed at consolidating public finances and promoting economic activities, by introducing certain amendments to the tax and legal regimes of Real Estate Investment Trusts (SOCIMI) and also to investment and other requirements. The most noteworthy amendments to the aforementioned Law, which came into force on 1 January 2013, are as follows:

1. Flexibility of entry and of property-holding criteria: there is no minimum to the number of properties that must be contributed in the incorporation of a REIT, except in the case of housing units, where a minimum contribution of eight is required. Properties must remain on the Company's balance sheet for a minimum period of 3 years, instead of the seven-year period required previously.
2. Lower capital requirements and unrestricted leverage threshold: the minimum capital required has been reduced from EUR 15 million to EUR 5 million, eliminating the restriction on the maximum debt limit of the property investment vehicle.

Note 12 - Subsequent events - continued

3. Decrease in distribution of dividends: before this Law came into force, the obligatory distribution of profit was 90%, and this obligation was reduced to 80% from 1 January 2013.
4. A 0% corporate income tax rate was established for REITs. However, when the dividends paid by the REIT to its shareholders with an ownership interest of more than 5% are exempt or taxed at a rate below 10%, the REIT will be subject to a special charge of 19%, which shall be treated as corporate income tax on the amount of the dividend paid to the shareholders. If it applies, this special charge must be paid by the REIT within two months after the dividend payment date.

Notes to the accounts as at 31 December 2012 – continued

In this regard, some of the requirements are more flexible, most notably the possibility of trading on a multilateral trading system, and the elimination of the requirements for external financing. The most significant change is the establishment of a tax of zero percent for income resulting from the development of their corporate purpose and specific purpose. Consequently the changes in the Spanish Law regulating the Subsidiaries will have a positive impact on the Subsidiaries and by extension on the Company, given that the tax rate applicable to the distribution of dividends will decrease and some other requirements (investment ratio and financing requirements amongst others) will be less constraining.

Report of the Réviseur d'Entreprises Agréé on the annual accounts

Deloitte.

Deloitte Audit
Société à responsabilité limitée

560, rue de Neudorf
L-2220 Luxembourg
B.P. 1173
L-1011 Luxembourg

Tel: +352 451 451
Fax: +352 451 452 992
www.deloitte.lu

To the Shareholders of
Saint Croix Holding Immobilier S.A.
9b, Boulevard Prince Henri
L-1724 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGRÉÉ

Report on the annual accounts

We have audited the annual accounts of Saint Croix Holding Immobilier S.A., which comprise the balance sheet as at December 31, 2012 and profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 98 to 108.

Responsibility of the Board of Directors' for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the *réviseur d'entreprises agréé's* judgement, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit

Société à responsabilité limitée au capital de 35.000 €
RCS Luxembourg B 67.895
Autorisation d'établissement : 10022179

Deloitte.

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 the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

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 annual accounts give a true and fair view of the financial position of Saint Croix Holding Immobilier S.A. as of December 31, 2012 and of the results of its operations for the year then ended, in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Report on other legal and regulatory requirements

The management report as set out on pages 3 to 21, which is the responsibility of the Board of Directors, is consistent with the annual accounts.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*
Partner

April 29, 2013