

Barcino Property SOCIMI, S.A.

Financial Statements for the year ended
31 December 2018 and Directors' Report

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 15).
In the event of a discrepancy, the Spanish-language version prevails.

BARCINO PROPERTY SOCIMI, S.A.

BALANCE SHEET AS AT 31 DECEMBER 2018

(Euros)

ASSETS	Notes	31/12/18	31/12/17	EQUITY AND LIABILITIES	Notes	31/12/18	31/12/17
NON-CURRENT ASSETS:				EQUITY:			
Intangible assets		765	2.428	SHAREHOLDERS' EQUITY-	Note 7		
Property, plant and equipment		2.313	1.049	Share capital		21.109.105	14.377.358
Investment property	Note 5	32.955.430	19.792.129	Share premium		4.616.923	1.587.637
Non-current financial assets	Note 6	78.888	66.352	Reserves		6.453	-
Total non-current assets		33.037.396	19.861.958	(Treasury shares)		(66.662)	(150.001)
				Prior years' losses		(2.953.967)	(100.081)
				Loss for the year		(1.632.573)	(2.853.886)
				Total equity		21.079.279	12.861.027
				NON-CURRENT LIABILITIES:			
				Non-current payables-		13.680.360	6.480.462
				Non-current bank borrowings	Note 8.1	12.694.230	5.948.963
				Other financial liabilities	Note 8.2	986.130	531.499
				Total non-current liabilities		13.680.360	6.480.462
CURRENT ASSETS:				CURRENT LIABILITIES:			
Trade and other receivables-		261.159	200.052	Current payables-		2.044.450	463.370
Trade receivables for sales and services		29.787	18.744	Bank borrowings	Note 8.1	956.293	432.548
Employee receivables		-	252	Payable to non-current asset suppliers		230.806	24.722
Sundry accounts receivable		7.406	-	Other financial liabilities	Note 8.2	857.351	6.100
Current income tax assets	Note 9.1	112.660	60.996	Trade and other payables-		507.297	2.363.876
Other tax receivables	Note 9.1	111.306	120.060	Sundry accounts payable		457.646	2.292.058
Current financial assets	Note 4.7	303.117	553.100	Tax payables	Note 9.1	48.716	71.176
Current prepayments and accrued income		21.045	5.687	Customer advances		935	642
Cash and cash equivalents		3.688.669	1.547.938	Total current liabilities		2.551.747	2.827.246
Total current assets		4.273.990	2.306.777	TOTAL EQUITY AND LIABILITIES		37.311.386	22.168.735
TOTAL ASSETS		37.311.386	22.168.735				

The accompanying Notes 1 to 15 are an integral part of the balance sheet as at 31 December 2018.

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BARCINO PROPERTY SOCIMI, S.A.

STATEMENT OF PROFIT OR LOSS FOR 2018

(Euros)

	Notes	2018	2017
CONTINUING OPERATIONS:			
Revenue-	Note 10.1	1.261.054	895.282
Lease revenue		1.261.054	895.282
Other operating income-		-	478.878
Non-core and other current operating income		-	478.878
Staff costs-		(96.258)	(60.183)
Wages, salaries and similar expenses		(69.668)	(47.507)
Employee benefit costs	Note 10.2	(26.590)	(12.676)
Other operating expenses-		(2.030.091)	(3.835.125)
Outside services	Note 10.3	(1.938.708)	(3.793.305)
Taxes other than income tax	Note 10.3	(65.219)	(34.319)
Losses on and write-down of trade receivables and changes in provisions for commercial transactions	Note 4.3.1	(23.599)	(5.501)
Other current operating expenses		(2.565)	(2.000)
Depreciation and amortisation charge	Note 5	(385.206)	(222.643)
Impairment and gains or losses on disposals of non-current assets-		(109)	-
Impairment and other losses		(109)	-
Other income and expenses		(80.934)	-
LOSS FROM OPERATIONS		(1.331.544)	(2.743.791)
Finance income		49	150
Finance costs		(301.032)	(110.245)
Exchange differences		(46)	-
FINANCIAL LOSS		(301.029)	(110.095)
LOSS BEFORE TAX		(1.632.573)	(2.853.886)
Income tax	Note 9.2	-	-
LOSS FOR THE YEAR		(1.632.573)	(2.853.886)

The accompanying Notes 1 to 15 are an integral part of the statement of profit or loss for 2018.

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BARCINO PROPERTY SOCIMI, S.A.

STATEMENT OF CHANGES IN EQUITY FOR 2018

A) STATEMENT OF RECOGNISED INCOME AND EXPENSE

(Euros)

	2018	2017
LOSS PER STATEMENT OF PROFIT OR LOSS (I)	(1.632.573)	(2.853.886)
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY (II)	-	-
TOTAL TRANSFERS TO PROFIT OR LOSS (III)	-	-
TOTAL RECOGNISED INCOME AND EXPENSE (I + II + III)	(1.632.573)	(2.853.886)

The accompanying Notes 1 to 15 are an integral part of the statement of recognised income and expense for 2018.

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BARCINO PROPERTY SOCIMI, S.A.

STATEMENT OF CHANGES IN EQUITY FOR 2018

B) STATEMENT OF CHANGES IN TOTAL EQUITY

(Euros)

	Share capital	Share premium	other reserves	Treasury shares	Prior years' losses	Loss for the year	TOTAL
2016 ENDING BALANCE	12.230.188	889.807	-	-	(8.790)	(91.291)	13.019.914
Total recognised income and expense	-	-	-	-	-	(2.853.886)	(2.853.886)
Transactions with shareholders or owners	2.147.170	697.830	-	(150.001)	-	-	2.694.999
(+) Capital increases (Note 7.1)	2.147.170	697.830	-	-	-	-	2.845.000
Treasury share transactions (net)	-	-	-	(150.001)	-	-	(150.001)
Other changes in equity	-	-	-	-	(91.291)	91.291	-
Allocation of 2016 loss	-	-	-	-	(91.291)	91.291	-
2017 ENDING BALANCE	14.377.358	1.587.637	-	(150.001)	(100.081)	(2.853.886)	12.861.027
Total recognised income and expense	-	-	-	-	-	(1.632.573)	(1.632.573)
Transactions with shareholders or owners	6.731.747	3.029.286	6.453	83.339	-	-	9.850.825
(+) Capital increases (Note 7.1)	6.731.747	3.029.286	-	-	-	-	9.761.033
Treasury share transactions (net)	-	-	6.453	83.339	-	-	89.792
Other changes in equity	-	-	-	-	(2.853.886)	2.853.886	-
Allocation of 2017 loss	-	-	-	-	(2.853.886)	2.853.886	-
2018 ENDING BALANCE	21.109.105	4.616.923	6.453	(66.662)	(2.953.967)	(1.632.573)	21.079.279

The accompanying Notes 1 to 15 are an integral part of the statement of changes in total equity for 2018.

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BARCINO PROPERTY SOCIMI, S.A.

STATEMENT OF CASH FLOWS FOR 2018

(Euros)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES (I):		(1.710.828)	(77.808)
Loss for the year before tax		(1.632.573)	(2.853.886)
Adjustments for-		709.897	785.185
Depreciation and amortisation charge	Note 5	385.206	222.643
Impairment losses, write-downs and provisions		23.708	5.501
Finance income		(49)	(150)
Finance costs		301.032	110.245
Changes in working capital-		(487.169)	2.150.137
Inventories		-	2.255
Trade and other receivables		(100.064)	(100.552)
Other current assets		-	(3.574)
Trade and other payables		(821.281)	2.252.008
Other current liabilities		446.712	-
Other non-current assets and liabilities		(12.536)	-
Other cash flows from operating activities-		(300.983)	(159.244)
Interest paid		(301.032)	(110.245)
Interest received		49	150
Income tax paid	Note 9	-	(49.149)
CASH FLOWS FROM INVESTING ACTIVITIES (II):		(13.268.232)	(5.446.023)
Payments due to investment-		(13.551.783)	(5.446.023)
Other financial assets		-	(565.787)
Investment property	Note 5	(13.551.783)	(4.880.236)
Proceeds from disposals-		283.551	-
Intangible assets		1.618	-
Property, plant and equipment		2.057	-
Other financial assets		279.876	-
CASH FLOWS FROM FINANCING ACTIVITIES (III):		17.119.837	5.659.266
Proceeds and payments relating to equity instruments-		9.850.825	2.694.999
Proceeds from issue of equity instruments	Note 7.1	9.761.033	2.845.000
Acquisition of treasury shares		-	(150.001)
Disposal of treasury shares	Note 7.3	89.792	-
Proceeds and payments relating to financial liability instruments-	Note 8	7.269.012	2.914.435
Proceeds from issue of bank borrowings		10.135.000	3.307.469
Repayment of bank borrowings		(2.865.988)	(393.034)
Other		-	49.832
EFFECT OF FOREIGN EXCHANGE RATE CHANGES (IV)		(46)	-
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)		2.140.731	135.435
Cash and cash equivalents at beginning of year		1.547.938	1.412.503
Cash and cash equivalents at end of year		3.688.669	1.547.938

The accompanying Notes 1 to 15 are an integral part of the statement of cash flows for 2018.

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Barcino Property SOCIMI, S.A.

Notes to the financial statements for the year ended 31 December 2018

1. Company activities

Barcino Property SOCIMI, S.A. ("the Company") is a Spanish company with employer identification number A-66461716, incorporated for an indefinite period of time on 30 January 2015 under the name of Barcino Property, S.L. Its registered office is located at calle Ramón Turró 23, Barcelona.

On 25 May 2017, it was resolved that the Company would be converted from a private limited liability company into a public limited liability company.

On 18 February 2016, the Company's former sole shareholder, Barcino Management, B.V., resolved that the Company would avail itself of the special regime for real estate investment trusts ("REITs") governed by Law 11/2009, of 26 October. Subsequently, on 19 February 2016 the Company formally notified the Spanish State Tax Agency of the option to apply the aforementioned special regime for REITs effective from 1 January 2016.

The Company's object is as follows:

- a) The acquisition and development of urban properties earmarked for lease.
- b) The ownership of interests in the share capital of other REITs or of other entities not resident in Spain with a company object identical to that of REITs and that are subject to a regime similar to that established for REITs in relation to the obligatory profit distribution policy stipulated by law or by bylaws.
- c) The ownership of interests in the share capital of other entities, resident or not in Spain, the principal company object of which is the acquisition of urban properties for lease that are subject to the same regime as that established for REITs in relation to the obligatory profit distribution policy stipulated by law or by bylaws and that meet the investment requirements referred to in Article 3 of Spanish Real Estate Investment Trusts Law 11/2009, of 26 October ("the REIT Law").
- d) The ownership of shares or other equity interests in collective real estate investment undertakings governed by Spanish Collective Investment Undertakings Law 35/2003, of 4 November, or any law that may supersede it in the future.

Together with the economic activity relating to the principal company object, REITs may also engage in other ancillary activities that, taken as a whole, represent less than 20% of the Company's income in each tax period, or such activities as might be considered to be ancillary activities under the legislation applicable at any time.

In view of the business activity carried on by the Company, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the financial statements.

- **Management agreement**

On 31 October 2017, the Company entered into a seven-year management agreement (“the Management Agreement”) with Vistalegre Property Management, S.L. (“the Management Company”) under which the Management Company works exclusively for the Company and the following main functions, among others, are delegated: (i) proposing investments; (ii) structuring and negotiating the purchase transactions; (iii) managing the properties and, ultimately; (iv) selling the properties acquired by the Company.

The agreement establishes the remuneration payable to Vistalegre Property Management, S.L.. The retribution concepts to the Management Company and the retribution calculation is as follows:

- a) Management fee: 1.25% of the fair value of the assets, determined on the basis of a RICS appraisal plus cash and cash equivalents (taking into account the appraisals performed by an independent valuer). A total amount of EUR 513,120 (of which EUR 447,358 related to the tax base and EUR 65,762 to non-deductible VAT) accrued in 2018. However, for the year ended 31 December 2017 the management fee was established -on an exceptional basis- in the Management Agreement as a fixed amount totalling EUR 397,000 (not including VAT), of which EUR 100,000 were earned by the Management Company and the remaining EUR 297,000 by other parties related to the Company for services provided up to the date on which the Management Agreement was signed.
- b) Performance fee: This will be understood as being the sum of: (i) 20% of the gains arising on the sale of the Company's assets during the period; (ii) 20% of the unrealised gains arising in a given year (calculated as the fair value of the property portfolio less its acquisition cost) by the Company's property assets based on a RICS valuation method; and (iii) 20% of the net profit generated by the rental business, excluding the performance fee itself from the calculation. The amount accrued in 2018 totalled EUR 900,971 (of which EUR 744,521 related to the tax base and EUR 156,349 to VAT). A total of EUR 2,704,025 accrued in 2017 and, as indicated in the Management Agreement, in 2017 a total of EUR 242,000 (of which EUR 200,000 related to the tax base and EUR 42,000 to VAT) was earned by other parties related to the Company for services provided up to the date on which the Management Agreement was signed. The remaining EUR 2,462,025 (of which EUR 2,034,731 related to the tax base and EUR 427,294 to VAT) were earned by the Management Company. The total amount of EUR 900,971 (including VAT) relates mainly to the fees arising from the unrealised gains generated from the date of acquisition of the property assets to 31 December 2018 (year ended 31 December 2017: EUR 2,704,025), calculated as provided for in the Management Agreement on the basis of the appraisals performed by CBRE Valuation Advisory, S.A. using the methodology indicated in Note 4.1.

Each year, the Management Company may distribute, at its discretion, up to 80% of the performance fee “basket” (understood to be the sum of the performance fee for the year in question plus all the undistributed performance fees earned since the incorporation of the Company), provided that: (i) it has fulfilled its reporting obligations to the Company's managing body under the terms of the Management Agreement; and (ii) the internal rate of return relating to the dividends received, the net profit or loss and the value of the assets in the portfolio, appraised by an independent valuer, is equal to or more than 5%. In 2018 the internal rate of 5% was exceeded, and the Management Company decided to distribute 40% of the amount accrued (80% in 2017).

Where, as a result of a negative performance fee provision, the total performance fee is negative, the value of the performance fee basket will be reduced by the corresponding amount.

Undistributed amounts will increase the value of the performance fee basket.

It should be noted that by mutual agreement of the Company and the Management Company, the management fee and the performance fee may be paid in shares. The value of the shares for this and any subsequent calculation will be the market price of the Company's shares at the time of issue.

The agreement entered into by the parties envisages the payment of certain amounts of compensation in the event of early termination. The amount of this compensation, and the party liable for its payment, depend on the reasons for the early termination of the agreement. Neither at 31 December 2018 nor at the date of preparation of these financial statements were there circumstances that might lead to the early termination of the Management Agreement.

REIT regime

The Company is regulated by Spanish Real Estate Investment Trusts Law 11/2009, of 26 October, amended by Law 16/2012, of 27 December. These companies have a special tax regime and must fulfil, among others, the following obligations:

1. Company object obligation. They must have as their principal company object the ownership of urban properties earmarked for lease, the ownership of shares of other REITs or companies with a similar company object and with the same dividend distribution regime, and of collective investment undertakings.
2. Investment obligation.
 - They must invest at least 80% of the value of their assets in urban properties earmarked for lease, in land for the development of properties that will be used for that purpose, provided that development begins within three years following its acquisition, and in equity investments in other entities whose company object is similar to that of a REIT.

This percentage must be calculated on the basis of the consolidated balance sheet 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 whether or not it is obliged to prepare consolidated financial statements. Such a group must be composed exclusively of REITs and the other companies referred to in Article 2.1 of the REIT Law.

There is an option to replace the carrying value of the assets with their market value. Cash/collection rights arising from the transfer of such assets shall not be taken into account provided that the established maximum reinvestment periods are not exceeded.

- Also, 80% of its income must arise from: (i) property rentals; and (ii) dividends from investments. This percentage must be calculated on the basis of the consolidated balance sheet 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 whether or not it is obliged to prepare consolidated financial statements. Such a group must be composed exclusively of REITs and the other companies referred to in Article 2.1 of the REIT Law.
 - The properties must remain leased for at least three years (for the purposes of the calculation, up to one year of the period they have been offered for lease may be added). The equity interests must be held for a minimum period of three years.
3. Obligation to trade on a regulated market. REITs must be admitted to trading on a regulated Spanish market or in any other country with which there is an agreement for the exchange of tax information. The shares must be registered shares.
 4. Distribution of profit obligation. Once the related corporate law obligations have been met, REITs are required to distribute as dividends:
 - All the profit from dividends or shares in profits paid by the entities referred to in Article 2.1 of the REIT Law.

- At least 50% of the profits arising from the transfer of properties and shares or other equity interests to which Article 2.1 of the REIT Law refers, once the minimum holding periods have elapsed, which are used to achieve the REIT's principal object. The remainder of these profits must be reinvested in other properties or equity investments related to the performance of this object within three years from the transfer date.
 - At least 80% of the remaining profits obtained. When dividends are distributed with a charge to reserves set up using profits for a year in which the special tax regime had been applied, the distribution must be approved as set out above.
 - The legal reserve of companies which have chosen to avail themselves of the special tax regime established in the REIT Law must not exceed 20% of the share capital. The bylaws of these companies may not provide for any restricted reserve other than the legal reserve.
5. Reporting obligation (see Note 12). REITs must include in the notes to their financial statements the information required by the tax legislation governing the special regime for REITs.
6. Minimum share capital. The minimum share capital for REITs is established at EUR 5 million.

The option may be taken to apply the special tax regime in the terms established in Article 8 of the REIT Law, even when the requirements therein are not met, provided that such requirements are met within the two-year period following the date on which it is opted to apply the regime.

Failure to meet any of the aforementioned conditions will require the Company to file income tax returns under the standard tax regime from the tax period in which the aforementioned condition is not met, unless this situation is rectified in the following reporting period. The Company will also be obliged to pay, together with the tax charge relating to the aforementioned tax period, the difference between the amount of tax payable under the standard tax regime and the amount paid under the special tax regime in the previous tax periods, including such late-payment interest, surcharges and penalties as might be applicable.

The income tax rate for REITs is 0%. However, where the dividends that the REIT distributes to its shareholders with an ownership interest of more than 5% are exempt from tax or are taxed at a tax rate lower than 10%, the REIT shall be subject to a special charge of 19%, which shall be considered to be the income tax charge, on the amount of the dividend distributed to those shareholders. If applicable, this special charge must be paid by the REIT within two months after the dividend payment date.

At 31 December 2018, the Company's directors considered that the Company was complying with the requirements of the REIT Law and, therefore, that the special tax regime was fully applicable.

2. Basis of presentation of the financial statements

2.1. Regulatory financial reporting framework applicable to the Company

These financial statements were formally prepared by the directors in accordance with the regulatory financial reporting framework applicable to the Company, which consists of:

- a) The Spanish Commercial Code and all other Spanish corporate law.
- b) The Spanish National Chart of Accounts approved by Royal Decree 1514/2007, as amended by Royal Decree 602/2016 and its industry adaptations, in particular, the rules adapting the Spanish National Chart of Accounts for real estate companies approved by the Ministerial Order of 28 December 1994.
- c) The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and the relevant secondary legislation.
- d) Real Estate Investment Trusts Law 11/2009, of 26 October, amended by Law 16/2012, of 27 December.
- e) All other applicable Spanish accounting legislation.

2.2. Fair presentation

The accompanying financial statements, which were obtained from the Company's accounting records, are presented in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein and, accordingly, present fairly the Company's equity, financial position, results and cash flows for 2018.

These financial statements, which were formally prepared by the Company's directors, will be submitted for approval by the shareholders, and it is considered that they will be approved without any changes. The financial statements for 2017 were approved at the Annual General Meeting held on 28 May 2018.

2.3. Non-obligatory accounting principles applied

No non-obligatory accounting principles were applied. Also, the directors formally prepared these financial statements taking into account all the obligatory accounting principles and standards with a significant effect hereon. All obligatory accounting principles were applied.

2.4. Key issues in relation to the measurement and estimation of uncertainty

In preparing the accompanying financial statements estimates were made by the Company's directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. The critical estimates and criteria relate to:

- The useful life of investment property (see Note 4.1).
- The recoverable amount of the investment property based on the appraisals performed by independent third-party valuers (see Note 4.1).
- The amount of the remuneration to be received by the Management Company (see Note 1).
- The assumptions used in the calculation of provisions, and the assessment of litigation, obligations and contingent assets and liabilities (see Note 4.6).

Although these estimates were made on the basis of the best information available at 2018 year-end, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively.

2.5. Comparative information

The information relating to 2018 included in these notes to the financial statements is presented for comparison purposes with that relating to 31 December 2017.

2.6. Grouping of items

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

2.7. Changes in accounting policies

In 2018 there were no significant changes in accounting policies with respect to those applied in 2017.

3. Allocation of loss

The loss reflected in the statement of profit or loss for the year ended 31 December 2018 will be allocated to “Prior Years’ Losses”.

Limitations on the distribution of dividends

The Company must transfer 10% of net profit for each year to the legal reserve until the balance of this reserve reaches 20% of the share capital. This reserve may not be distributed to the shareholders.

Due to its status as a REIT, once the related corporate law obligations have been met, and as set forth in its bylaws, the Company is required to distribute the profit obtained in the year to its shareholders in the form of dividends in accordance with the provisions of Article 6 of the REIT Law (see Note 1).

Once the appropriations provided for by law or by the bylaws have been covered, dividends may only be distributed out of profit for the year or unrestricted reserves if the value of the equity is not already, or as a result of the distribution, lower than that of share capital. In this connection, profits recognised directly in equity cannot be distributed, directly or indirectly. If prior years' losses reduce the Company's equity to below its share capital, the profit must be used to offset these losses.

4. Accounting policies

As indicated in Note 2, the Company applied accounting policies in accordance with the accounting principles and rules included in the Spanish Commercial Code, implemented in the current Spanish National Chart of Accounts (2007), and all other Spanish corporate law in force at the reporting date. In this connection, only those accounting policies that are specific to the Company's business activities and those considered significant on the basis of the nature of its activities are detailed below.

4.1. Investment property

“Investment Property” in the balance sheet reflects the carrying amounts of the land, buildings and other structures held to earn rentals.

Investment property is initially recognised at acquisition or production cost and is subsequently reduced by the related accumulated depreciation and by any impairment losses recognised.

The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised, whereas upkeep and maintenance expenses are charged to the statement of profit or loss for the year in which they are incurred.

For investment property that necessarily takes a period of more than 12 months to get ready for its intended use, the capitalised costs include such borrowing costs as might have been incurred before the assets are ready for their intended use and which have been charged by the supplier or relate to loans or other funds borrowed specifically or generally directly attributable to the acquisition or production of the assets. In 2018 and 2017 no borrowing costs were capitalised in this connection.

The Company depreciates its investment property by the straight-line method based on the years of estimated useful life of the related assets, as follows:

	Years of estimated useful life
Buildings	10 - 50

Gain and losses arising from the sale or derecognition of an asset of this nature are determined as the difference between the carrying amount of the asset and its selling price and are recognised under "Impairment and Gains or Losses on Disposals of Non-Current Assets" in the statement of profit or loss.

The Company recognises the appropriate impairment losses on its investment property if the net realisable value of the investment property is lower than its carrying amount. For the purpose of determining net realisable value, the Company's directors considered appraisals performed by independent third-party valuers (performed by CBRE Valuation Advisory, S.A.) at 31 December 2018.

The valuation basis used by the independent expert valuer is market value, which was conducted following the Red Book "RICS Valuation (Royal Institution of Chartered Surveyors) - Professional Standards" 9th Edition, published in 2017. The definition of the VPS 4- Valuation Practice Statement establishes: "*The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*". (IVSC - International Valuation Standard Council 2013).

The valuation methodology employed by the independent third-party expert was based on individual valuations with inspection of the properties. For the valuation of the units, the discounted cash flow method was adopted since they are assets that are already leased (income properties). In this regard, the valuation was performed on the basis of a discounted cash flow with the income generated by the rental income from the lease and the costs inherent in maintaining the asset (taxes, maintenance), as well as an estimate of the cost of refurbishing the asset once the lease contract has ended and prior to marketing it for sale. This projection was made considering that the asset will be disposed of within ten years at a terminal value or exit price.

In relation to the terminal value or exit price, the methodology used was the sales comparison approach, in order to obtain market references on sale in the unit's area of influence.

The deflated discount rates applied to the Company's asset portfolio were between 6% and 7% for residential assets and 7.5% for office lease assets.

The properties were valued individually, taking into account each of the lease contracts in force at the end of the year. The buildings with areas that are not leased were valued on the basis of the estimated future rental income, less a period for the marketing thereof.

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

4.2. 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.

At 31 December 2018 and 2017, all of the Company's leases were considered to be operating leases.

Operating leases -

Lease income and expenses from operating leases are recognised in 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.

4.3. Financial instruments

4.3.1. Financial assets

Classification -

The financial assets held by the Company are mostly loans and receivables. This category includes financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business, or financial assets which, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.

Initial recognition -

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

Subsequent measurement -

Loans and receivables are measured at amortised cost.

At least at each reporting date the Company tests financial assets not measured at fair value through profit or loss 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 recognised in the statement of profit or loss.

In particular, the Company calculates valuation adjustments relating to trade and other receivables by carrying out a case-by-case analysis of the solvency of the debtor. At 31 December 2018 and 2017, there were no unprovisioned balances receivable for which there was a risk of default.

The Company derecognises financial assets when the rights to the cash flows from the related 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 Company does not derecognise financial assets, and recognises a financial liability for an amount equal to the consideration received, in transfers of financial assets in which substantially all the risks and rewards of ownership are retained.

4.3.2. Financial liabilities

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

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

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

Also, an exchange between the Company and a third party of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the original financial liability and the consideration paid, including any attributable transaction costs, is recognised in profit or loss.

The Company considers the terms and conditions of the financial liabilities to differ substantially whenever the present value of the cash flows discounted under the new terms and conditions, including any fees and commissions paid net of any fees and commissions received and using the original effective interest rate in discounting the flows, differs by at least 10% from the discounted present value of the cash flows still remaining from the original financial liability.

Equity instruments

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

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

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

4.4. Income tax

Standard regime

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

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

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit (loss) nor taxable profit (tax loss).

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

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

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

REIT regime

On 19 February 2016, and effective from 1 January 2016, the Company informed the Spanish tax authorities where its tax domicile is located of the option chosen by its former sole shareholder for the Company to be taxed under the special REIT tax regime.

Pursuant to Spanish Real Estate Investment Trust Law 11/2009, of 26 October, entities that meet the requirements defined in the applicable legislation and that opt to avail themselves of the special tax regime envisaged in that Law will be taxed for income tax purposes at a tax rate of 0%. If tax losses are incurred, Article 26 of Spanish Income Tax Law 27/2014, of 27 November, will not apply. Also, the tax credit and tax rebate regime provided for in Chapters II, III and IV of that Law will similarly not apply. In addition, for all other matters not stipulated in the REIT Law, the provisions of Spanish Income Tax Law 27/2014 will apply.

The Company will be subject to a special tax charge of 19% on the full amount of any dividends or shares in profit paid to shareholders with an ownership interest in the share capital of the entity equal to or exceeding 5%, where such dividends are exempt from tax or are subject to a tax rate of less than 10% for the shareholders. This tax charge will be considered to be the income tax charge.

The rules described in the preceding paragraph will not apply when the shareholders receiving the dividend are entities to which this Law applies.

At 2018 year-end the Company's directors considered that the foregoing was being complied with.

4.5. Revenue and expense recognition

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

Services -

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period, provided the outcome of the transaction can be estimated reliably.

Interest received -

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

Specific lease conditions -

Leases include certain specific conditions relating to incentives or rent-free periods offered by the Company to its customers. The Company recognises the aggregate cost of the incentives granted as a reduction of the rent revenue over the lease term on a straight-line basis. The effects of the rent-free periods are recognised over the non-cancellable period of the lease.

Also, the compensation paid by the lessees to terminate their leases before the end of the non-cancellable period of the lease is recognised as income in the statement of profit or loss on the payment date.

4.6. Provisions and contingencies

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

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

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

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

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

4.7. Cash and cash equivalents

"Cash and Cash Equivalents" in the balance sheet includes cash on hand, demand deposits at banks, short-term deposits and reverse repurchase agreements that meet all of the following requirements:

- They are convertible into cash.
- At the date of their acquisition, they had a maturity of three months or less.
- They are subject to an insignificant risk of changes in value.
- They form part of the Company's normal cash management policy.

The term deposits that mature at more than three months from the arrangement date, which total EUR 285 thousand, were recognised under "Current Financial Assets".

4.8. Current/Non-current classification

The normal operating cycle is the time between the acquisition of assets for inclusion in the Company's various lines of business and the realisation of the related goods in the form of cash or cash equivalents.

The Company's core activity is that of an asset-holding company and, therefore, it is considered that its normal operating cycle corresponds to the calendar year and, accordingly, assets and liabilities maturing within no more than 12 months are classified as current, and those maturing within more than 12 months are classified as non-current, with the exception of accounts receivable arising from the recognition of income relating to incentives or rent-free periods, which are recognised on a straight-line basis over the lease term and are classified as current assets.

Also, bank borrowings are classified as non-current items if the Company has the irrevocable power to meet the related payments within more than 12 months from the reporting date.

4.9. Related party transactions

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

4.10. 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, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operating activities: the principal revenue-producing activities 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 equity and borrowings that are not operating activities.

For the purpose of preparing the statement of cash flows, "Cash and Cash Equivalents" were considered to be cash on hand, demand bank deposits and short-term, highly liquid investments that are readily convertible to specified amounts of cash and which are subject to an insignificant risk of changes in value.

5. Investment property

The changes in 2018 and 2017 in "Investment Property" in the balance sheet and the most significant information affecting this heading were as follows:

2018

	Euros				
	31/12/17	Additions / (Charge for the year)	Disposals / Amounts used	Transfers	31/12/18
Land and buildings:					
Cost	19,960,397	12,434,373	(2,057)	291,567	32,684,280
Investment property in progress	129,014	1,115,624	-	(291,567)	953,071
Accumulated depreciation	(297,282)	(384,639)	-	-	(681,921)
Total	19,792,129	13,165,358	(2,057)	-	32,955,430

2017

	Euros				
	31/12/16	Additions / (Charge for the year)	Disposals / Amounts used	Transfers	31/12/17
Land and buildings:					
Cost	14,567,132	4,751,222	-	642,043	19,960,397
Investment property in progress	642,043	129,014	-	(642,043)	129,014
Accumulated depreciation	(75,151)	(222,131)	-	-	(297,282)
Total	15,134,024	4,658,105	-	-	19,792,129

The Company's investment property relates to properties earmarked for lease.

The main additions in 2018 relate to the following properties:

1. The acquisition of a building located at calle Olivera, 18, Barcelona, and the plot of land on which it stands, from unrelated companies. This building is made up of 14 housing units and 2 commercial premises. The purchase price amounted to EUR 2,150,000. The Company capitalised the notaries' fees and taxes related to the acquisition, which amounted to EUR 132,297.
2. The acquisition of a building located at calle Pedreres, 11, Barcelona, and the plot of land on which it stands, from unrelated third parties. This building is made up of 14 housing units and one commercial premises. The purchase price amounted to EUR 1,901,000. The Company capitalised the notaries' fees and taxes related to the acquisition, which amounted to EUR 111,343.
3. The acquisition of a building located at calle Lluna, 3, Barcelona, and the plot of land on which it stands, from unrelated third parties. This building is made up of 12 housing units. The purchase price amounted to EUR 2,000,000. The Company capitalised the notaries' fees and taxes related to the acquisition, which amounted to EUR 110,200.
4. The acquisition of a building located at calle Joaquín Costa, 57, Barcelona, and the plot of land on which it stands, from unrelated third parties. This building is made up of eight housing units and two commercial premises. The purchase price amounted to EUR 2,850,000. The Company capitalised the notaries' fees and taxes related to the acquisition, which amounted to EUR 135,439.
5. The acquisition of a building located at calle Hospital, 105, Barcelona, and the plot of land on which it stands, from unrelated third parties. This building is made up of eight housing units and one office. The purchase price amounted to EUR 2,350,000. The Company capitalised the notaries' fees and taxes related to the acquisition, which amounted to EUR 145,327.
6. Other investments for the purpose of refurbishing and fitting out the buildings owned by the Company.

Also, the main additions in 2017 related to the following properties:

1. A building located at calle Sant Bertran, 8, Barcelona, and the plot of land on which it stands, acquired from unrelated companies. This building is made up of 18 housing units and 2 commercial premises. The purchase price amounted to EUR 2,200,000. The Company capitalised the notaries' fees and taxes related to the acquisition, which amounted to EUR 132,365.

2. A building located at calle Girona, 92, Barcelona, and the plot of land on which it stands, acquired from unrelated third parties. This building is made up of 6 housing units, a mezzanine for office use, and 2 commercial premises. The purchase price amounted to EUR 1,620,000. The Company capitalised the notaries' fees and taxes related to the acquisition, which amounted to EUR 87,576.
3. Other investments for the purpose of refurbishing and fitting out the buildings owned by the Company.

The detail of the carrying amount of the buildings held by the Company as investment property at 31 December 2018 and 2017 is as follows:

2018

	Euros				
	Gross cost			Accumulated depreciation	Carrying amount
	Land	Buildings	Investment property in progress	Buildings	
Vistalegre, 24	426,415	216,451	-	(22,378)	620,488
Buenos Aires, 35	638,820	958,329	-	(111,014)	1,486,135
Paseo Montjuïc, 68	1,259,445	965,217	4,067	(87,073)	2,141,656
Berga, 21	1,870,660	733,908	-	(74,378)	2,530,190
Sepúlveda, 107	1,534,440	901,152	-	(77,563)	2,358,029
Ramón Turró, 23	3,153,251	1,662,337	-	(163,464)	4,652,124
Poeta Cabanyes, 40	1,772,193	597,663	748,767	(44,801)	3,073,822
Sant Bertran, 8	1,669,140	663,225	75,033	(33,215)	2,374,183
Girona, 92	998,987	761,785	42,776	(29,761)	1,773,787
Olivera, 18	1,604,115	680,224	39,566	(16,811)	2,307,094
Pedrerres, 11	1,520,990	491,353	11,027	(5,823)	2,017,547
Lluna, 3	1,579,400	554,014	30,467	(6,725)	2,157,156
Joaquín Costa, 57	2,278,575	696,864	287	(6,362)	2,969,364
Hospital, 105	1,645,000	850,327	1,081	(2,553)	2,493,855
Total	21,951,431	10,732,849	953,071	(681,921)	32,955,430

2017

	Euros				
	Gross cost			Accumulated depreciation	Carrying amount
	Land	Buildings	Investment property in progress	Buildings	
Vistalegre, 24	426,415	206,404	-	(13,709)	619,110
Buenos Aires, 35	638,820	957,991	-	(57,608)	1,539,203
Paseo Montjuïc, 68	1,259,445	893,102	1,653	(37,885)	2,116,315
Berga, 21	1,870,660	667,903	9,814	(44,270)	2,504,107
Sepúlveda, 107	1,534,440	725,641	75,053	(33,376)	2,301,758
Ramón Turró, 23	3,153,251	1,259,026	-	(81,565)	4,330,712
Poeta Cabanyes, 40	1,772,193	555,166	30,146	(22,182)	2,335,323
Sant Bertran, 8	1,669,140	663,225	12,348	(6,687)	2,338,026
Girona, 92	998,987	708,588	-	-	1,707,575
Total	13,323,351	6,637,046	129,014	(297,282)	19,792,129

All the assets recognised under “Investment Property” are located in Barcelona and l’Hospitalet de Llobregat.

	Housing		Offices		Commercial premises	
	Units	Square metres	Units	Square metres	Units	Square metres
Vistalegre, 24	6	356	-	-	1	146
Buenos Aires, 35	12	913	-	-	-	-
Paseo Montjuïc, 68	12	813	-	-	1	278
Berga, 21	12	1,051	-	-	2	169
Sepúlveda, 107	12	778	-	-	2	123
Ramón Turró, 23	-	-	9	3,036	1	328
Poeta Cabanyes, 40	8	967	-	-	2	381
Sant Bertran, 8	18	758	-	-	2	200
Girona, 82	6	527	1	78	2	115
Olivera, 18	14	1,044	-	-	2	151
Pedrerres, 11	14	711	-	-	1	79
Lluna, 3	12	895	-	-	-	-
Joaquín Costa, 57	8	920	-	-	2	350
Hospital, 105	8	858	1	137	-	-
Total	142	10,591	11	3,251	18	2,320

The average occupancy level of the buildings owned by the Company in 2018 was approximately 70% (2017: approximately 75%), as indicated below:

	Average occupancy level	
	2018	2017
Vistalegre, 24	100%	88%
Buenos Aires, 35	100%	94%
Paseo Montjuïc, 68	90%	60%
Berga, 21	97%	96%
Sepúlveda, 107	96%	74%
Ramón Turró, 23	97%	90%
Poeta Cabanyes, 40	10%	56%
Sant Bertran, 8	25%	42%
Girona, 92	59%	N/A
Olivera, 18	80%	N/A
Pedrerres, 11	67%	N/A
Lluna, 3	54%	N/A
Joaquín Costa, 57	50%	N/A
Hospital, 105	70%	N/A
Average	70%	75%

The rent revenue earned from investment property owned by the Company in 2018 amounted to EUR 1,261,054 (2017: EUR 895,282) (see Note 10.1).

At the end of 2018 and 2017 there were no restrictions on making new investment property investments, on the collection of rent revenue therefrom or in connection with the proceeds to be obtained from a potential disposal thereof.

The investment property is mortgaged to secure the bank loans as described in Note 8, except for the properties located at calle Pedrerres 11 and calle Joaquín Costa 57.

The Company takes out insurance policies to cover the possible risks to which its investment property is subject. At the end of 2018 and 2017 the investment property was fully insured against these risks.

6. Leases

At the end of 2018 and 2017 all the operating leases entered into by the Company could be terminated by the lessees with prior notice of mostly between one and three months, which means that there are no minimum non-cancellable lease payments under the leases currently in force.

There were no contingent rents recognised as revenue in 2018 and 2017.

At 2018 year-end the Company had received EUR 120,545 (EUR 92,471 recognised as non-current and EUR 28,074 recognised as current) from tenants in respect of security deposits and escrow accounts (2017 year-end: EUR 90,653), EUR 89,302 of had been deposited with the corresponding Housing Institute (EUR 71,185 recognised as non-current and EUR 18,117 recognised as current) (2017: EUR 71,185).

7. Equity and shareholders' equity

7.1. Share capital

The Company was incorporated on 30 January 2015 with a share capital of EUR 3,000, represented by 3,000 shares of EUR 1 par value each, numbered sequentially from 1 to 3,000, inclusive, which were subscribed and paid by the founding sole shareholder.

On 11 February 2015, the Netherlands company Barcino Management, B.V., a private limited liability company with registered office at Claude Debussylaan, 24, Amsterdam, acquired through a purchase and sale transaction the shares representing all of the Company's share capital owned by the founding sole shareholder.

On 1 June 2015, the former sole shareholder resolved to increase the share capital of the Company by EUR 1,857,000 through the issue of 1,857,000 new shares of EUR 1 par value each. This capital increase was executed in a public deed on 8 June 2015.

On 25 January 2016, the former sole shareholder resolved to carry out a second capital increase of EUR 3,509,616 through the issue of 3,509,616 new shares of EUR 1 par value each. This capital increase was performed with a share premium of EUR 140,385 and was executed in a public deed on 27 January 2016. This capital increase incorporated new shareholders to the Company which became a public limited liability company.

On 27 April 2016, the shareholders resolved to carry out a third capital increase of EUR 923,078 through the issue of 923,078 new shares of EUR 1 par value each. This capital increase was performed with a share premium of EUR 36,923 euros and was executed in a public deed on 28 April 2016.

On 25 July 2016, the shareholders resolved to carry out a fourth capital increase of EUR 5,937,494 through the issue of 5,937,494 new shares of EUR 1 par value each. This capital increase was performed with a share premium of EUR 712,499 euros and was executed in a public deed on 28 October 2016.

On 26 June 2017, the shareholders resolved to carry out a fifth capital increase of EUR 2,147,170 through the issue of 2,147,170 new shares of EUR 1 par value each. This capital increase was performed with a share premium of EUR 697,830. This capital increase was executed in a public deed on 30 June 2017 and was fully subscribed and paid.

On 6 September 2018, a sixth capital increase was executed in a public deed. This capital increase, of EUR 6,731,747, was performed through the issue of 6,731,747 new shares of EUR 1 par value each. This capital increase was performed with a share premium of EUR 3,029,286. This capital increase was subscribed and paid in full.

At the end of 2018 the Company's share capital amounted to EUR 21,109,105 and was represented by 21,109,105 fully subscribed and paid shares of EUR 1 par value each, all of the same class, with a share premium of EUR 4,616,923.

At the end of 2018 and 2017 the only company that owned 10% or more of the Company's share capital was Barcino Management, B.V., with an ownership interest of 42.63% in 2018 (2017: 50.01%).

The Company's shares are listed on the Alternative Equity Market (MAB).

7.2. Legal and other reserves

Under the Spanish Limited Liability Companies Law, the Company must transfer 10% of net profit for each year to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can only 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.

Under Spanish Real Estate Investment Trusts (REIT) Law 11/2009, the legal reserve of companies that have chosen to avail themselves of the special tax regime established in that Law must not exceed 20% of the share capital. The bylaws of these companies may not provide for any other reserve.

At 31 December 2018, the legal reserve had not reached the legally required minimum.

7.3. Treasury shares

At 2018 year-end the Company held the following treasury shares:

	No. of shares	Par value (euros)	Average acquisition price (euros)	Total acquisition cost (euros)
Treasury shares at 2018 year-end	50,102	50,102	1.331	66,662

On 31 December 2017, the Company acquired 113,208 treasury shares representing 0.079% of the share capital, which amounted to EUR 150 thousand at an average price of EUR 1.325 per share.

At 31 December 2018, the Company sold 63,206 shares and purchased 100 shares at an average price of EUR 1.418 per share and EUR 1.672 per share, respectively, which generated a gain on the sale of shares of EUR 6,453 with a charge to reserves.

8. Non-current and current liabilities

The detail of “Non-Current Payables” and “Current Payables” at the end of 2018 and 2017 is as follows:

	Euros			
	Current		Non-current	
	31/12/18	31/12/17	31/12/18	31/12/17
Bank borrowings	956,293	432,548	12,694,230	5,948,963
Payable to non-current asset suppliers	230,806	24,722	-	-
Other financial liabilities	857,351	6,100	986,130	531,499
Total	2,044,450	463,370	13,680,360	6,480,462

“Bank Borrowings” reflects the outstanding amount under the mortgage loans, net of debt arrangement expenses. The debt arrangement expenses recognised in the Company’s balance sheet as at 31 December 2018 amounted to EUR 428,712.

8.1. Non-current and current bank borrowings

The detail of the bank borrowings at the end of 2018 and 2017 is as follows:

2018

	Euros			
	Current liabilities		Non-current liabilities	
	Current	Total	Non-current	Total
Bank borrowings:				
- Mortgage loans	987,323	987,323	13,091,912	13,091,912
- Debt arrangement expenses	(31,030)	(31,030)	(397,682)	(397,682)
Total	956,293	956,293	12,694,230	12,694,230

2017

	Euros			
	Current liabilities		Non-current liabilities	
	Current	Total	Non-current	Total
Bank borrowings:				
- Mortgage loans	432,548	432,548	5,948,963	5,948,963
- Debt arrangement expenses	-	-	-	-
Total	432,548	432,548	5,948,963	5,948,963

The detail, by maturity, of the items which form part of total bank borrowings at the end of 2018 and 2017 is as follows:

2018

	Euros					
	Current	2020	2021	2022	2023 and subsequent years	Total non-current
Mortgage loans	987,323	1,065,694	1,084,038	1,102,721	9,839,459	13,091,912
Total	987,323	1,065,694	1,084,038	1,102,721	9,839,459	13,091,912

2017

	Euros					
	Current	2019	2020	2021	2022 and subsequent years	Total non-current
Mortgage loans	432,538	426,873	434,975	443,232	4,643,883	5,948,963
Total	432,538	426,873	434,975	443,232	4,643,883	5,948,963

The Company's loans were arranged under market conditions and, therefore, the fair value of the borrowings does not differ from their carrying amount at 31 December 2018.

In 2018 the Company arranged eight new mortgage loans and extended a pre-existing mortgage loan with various banks; these loans were associated with the recent acquisition of five properties (see Note 5) and the obtainment of additional financing for three properties acquired in previous years by settling the previous loan and arranging a new one. The new mortgage loans arranged and the extension amounted to EUR 9,735,000 and EUR 400,000, respectively.

The average interest rate on bank borrowings in 2018 and 2017 was 2%.

The aforementioned mortgage loans are secured by a mortgage on certain investment property owned by the Company and described in Note 5.

8.2. Other financial liabilities

"Non-Current Payables - Other Financial Liabilities" includes the portion of the Management Company's Performance Fee Basket in accordance with the terms of the Management Agreement (see Notes 1 and 11.3) amounting to EUR 893,659 (31 December 2017: EUR 446,946) and the security deposits amounting to EUR 92,471 at 31 December 2018 (31 December 2017: EUR 84,553).

"Current Payables - Other Financial Liabilities" includes a loan arranged with the management company Vistalegre Property Management, S.L. amounting to EUR 811,207, relating to the outstanding balance of the Performance Fee paid in 2017. The aforementioned loan bears interest at a rate of 2.75% and matures on 31 December 2019. At year-end EUR 18,070 had been incurred in this connection.

This line item also includes the security deposits and short-term deposits amounting to EUR 28,074 at 31 December 2018 (31 December 2017: EUR 6,100).

8.3. Financial risk factors

The Company's activities are exposed to various financial risks: market risk, credit risk, liquidity risk and cash flow interest rate risk. The Company's global risk management programme focuses on the uncertainty of the financial markets and aims to minimise the potential adverse effects on its financial returns.

a) Market risk

The Company has established specific measures that it plans to adopt in order to minimise the potential impact that the current situation in the property sector might have on its financial position. All investments are based on a prior, detailed analysis of the profitability of the asset at short and long term. This analysis takes into consideration the economic and financial climate in which the activity is carried on. Once the asset has been acquired, the market variables are monitored (occupancy level, profitability, net operating income) and the appropriate decisions are made on an ongoing basis.

Both the Company's cash and its bank borrowings are exposed to interest rate risk, which could have an adverse effect on financial profit or loss and cash flows. However, the Company's Board of Directors considers that the impact would not be significant.

b) *Credit risk*

Credit risk is the risk of financial loss faced by the Company if a customer or counterparty does not satisfy its contractual obligations. The Company does not have any significant concentration of credit risk. Also, the Company holds its cash and cash equivalents at banks with high credit ratings.

c) *Liquidity risk*

Liquidity risk is the risk that the Company may encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Company manages liquidity risk prudently, borrowing only from banks with high credit ratings.

Other risks

Tax risk

The Company has availed itself of the special tax regime for Real Estate Investment Trusts (REITs). Pursuant to Article 6 of Law 11/2009, of 26 October 2009, amended by Law 16/2012, of 27 December, companies that have opted for the special tax regime are required to comply with the tax and legal obligations described in Note 1, including the obligation to distribute the profit for the year to shareholders in the form of dividends, once the related corporate law obligations have been met. The distribution must be approved within six months of each year-end and paid in the month following the date of the distribution resolution. Companies that apply this special regime must comply with other obligations that require estimates and judgements to be made by the directors (determination of taxable profit or tax loss, income test, asset test, etc.) which might involve a certain degree of complexity, above all when taking into consideration the fact that the REIT regime is relatively recent and it has been implemented mainly on the basis of rulings by the Spanish Directorate-General of Taxes in response to requests for rulings submitted by various companies. In the event of non-compliance with any of the conditions, the Company would be taxed under the standard regime if that deficiency were not remedied in the year following the non-compliance. As detailed in Note 1, the Company is fulfilling all the obligations established under the REIT regime.

8.4. Disclosures on the average period of payment to suppliers

Set forth below are the disclosures required by Additional Provision Three of Law 15/2010, of 5 July (amended by Final Provision Two of Law 31/2014, of 3 December), prepared in accordance with the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 on the disclosures to be included in notes to financial statements in relation to the average period of payment to suppliers in commercial transactions.

	2018	2017
	Days	
Average period of payment to suppliers	57.32	9.44
Ratio of transactions settled	64.81	16.73
Ratio of transactions not yet settled	10.17	2.19
	Euros	
Total payments made	3,902,182	2,231,556
Total payments outstanding	619,422	2,242,842

In accordance with the ICAC Resolution, the average period of payment to suppliers was calculated by taking into account the commercial transactions relating to the supply of goods or services for which payment has accrued since the date of entry into force of Law 31/2014, of 3 December.

For the sole purpose of the disclosures provided for in the Resolution, suppliers are considered to be the trade creditors for the supply of goods or services, and the suppliers of work performed on the Company's investment property, included in "Sundry Accounts Payable" under "Current Liabilities" in the balance sheet.

“Average period of payment to suppliers” is taken to be the period that elapses from the delivery of the goods or the provision of the services by the supplier to the effective payment of the transaction.

The maximum payment period applicable to the Company in 2018 under Law 3/2004, of 29 December, on combating late payment in commercial transactions, is 30 days. However, it can be extended through an agreement between the parties, although under no circumstances may a period of more than 60 calendar days be agreed upon.

9. Tax matters

9.1. Current tax receivables and payables

The detail of the current tax receivables and payables at 31 December 2018 and 2017 is as follows:

	Euros			
	31/12/18		31/12/17	
	Tax receivables	Tax payables	Tax receivables	Tax payables
VAT refundable	111,306	-	120,060	-
Income tax refundable	112,660	-	60,996	-
Personal income tax withholdings payable	-	17,974	-	69,382
Other tax payables	-	25,534	-	-
Accrued social security taxes payable	-	5,208	-	1,794
Total	223,966	48,716	181,056	71,176

The revenue from the rental of residential buildings is exempt from VAT. The Company recognises the VAT relating to the expenses associated with the aforementioned rent revenue as an increase in operating expenses. In addition, the Company deducts all VAT relating to expenses associated with revenue from non-exempt activities. In the case of general expenses not associated with a specific activity, the Company opted to apply the VAT special deductible proportion rule, where the percentage of non-deductible VAT on its activities is 73%.

9.2. Income tax

2018

	Euros		
	Increase	Decrease	Total
Accounting loss before tax			(1,632,573)
Permanent differences	81,203	-	81,203
Temporary differences:	-	-	-
Tax loss	81,203	-	(1,551,370)
Tax charge at 0%			-
Total income/(expense) recognised in profit or loss			-

2017

	Euros		
	Increase	Decrease	Total
Accounting loss before tax			(2,853,886)
Permanent differences	152	-	152
Temporary differences:	232	-	232
Tax loss	384	-	(2,853,502)
Tax charge at 0%			-
Total income/(expense) recognised in profit or loss			-

Since the Company availed itself of the REIT regime (tax rate of 0%), no deferred tax assets were recognised. Also, in 2018 the Company was subject to withholdings of EUR 62,081 (2017: EUR 50,579).

9.3. Years open for review and tax audits

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired. At the end of 2018 the Company had all the taxes applicable to it open for review for the period since its incorporation. The Company's directors, who are in turn advised by tax experts, consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying financial statements.

10. Income and expenses

10.1. Revenue

The breakdown, by business line, of the Company's revenue for 2018 and 2017 is as follows:

Line of business	Euros	
	2018	2017
Residential buildings	1,024,532	687,568
Office buildings	236,522	207,714
Total	1,261,054	895,282

The rent revenue was earned in full in Spain, in Barcelona (EUR 944,518 in 2018 (2017: EUR 619,607)) and L'Hospitalet de Llobregat (EUR 316,536 in 2018 (2017: EUR 275,675)).

10.2. Employee benefit costs

The detail of "Employee Benefit Costs" in 2018 and 2017 is as follows:

	Euros	
	2018	2017
Employer social security costs	26,590	12,676
Other employee benefit costs	-	-
Total	26,590	12,676

10.3. Other operating expenses

The detail of "Outside Services" and "Taxes Other than Income Tax" in the accompanying statements of profit or loss for 2018 and 2017 is as follows:

	Euros	
	2018	2017
Rent and royalties	209	924
Repair and upkeep costs	47,777	36,794
Independent professional services	1,629,976	3,593,725
Insurance premiums	11,519	4,903
Banking and similar services	6,163	2,074
Advertising, publicity and public relations	914	1,792
Utilities	61,848	27,243
Other expenses	180,302	125,850
Taxes other than income tax	65,219	34,319
Total	2,003,930	3,827,624

"Independent Professional Services" includes the remuneration earned in 2018 by the Management Company totalling EUR 1,301,419 (2017: EUR 2,397,013) (see Notes 1 and 11.3).

11. Related party transactions and balances

11.1. Remuneration and other benefits of directors and senior executives

In 2018 the gross remuneration earned by the Company's directors amounted to EUR 18,000 (2017: EUR 4,500). Also, the Company does not have any pension fund or plan obligations and has not granted any loans, advances or guarantees to its directors.

The Company does not have any senior executives, and senior management functions are discharged by the members of the Board of Directors.

At 2018 year-end the Board of Directors was made up of by three men.

The directors' third-party liability insurance premiums paid in 2018 amounted to EUR 1,134 (2017: EUR 908).

11.2. Information regarding situations of conflict of interest involving the directors

In 2018 and 2017 neither the directors of Barcino Property Socimi, S.A. nor the persons related to them as defined in the Spanish Limited Liability Companies Law notified the Company's governing body of any direct or indirect conflict of interest they might have with respect to the Company.

11.3. Related party transactions

a) Related party transactions

The detail of the transactions with related parties in 2018 and 2017 is as follows:

2018

	Euros (*)	Euros
	Services received and other	Finance costs
Vistalegre Property Management, S.L.	1,301,419	22,308
	1,301,419	22,308

(*) Including non-recoverable VAT in the invoices received.

2017

	Euros (*)
	Services received and other
Vistalegre Property Management, S.L.	2,425,985
	2,425,985

(*) Including non-recoverable VAT in the invoices received.

The Company has entered into a Management Agreement with Vistalegre Property Management, S.L. as detailed in Note 1 to these financial statements. The amount incurred in 2018 totalled EUR 1,301,419 (2017: EUR 2,397,013) including non-deductible VAT, of which EUR 788,299 (2017: EUR 2,281,473) related to the Performance Fee and EUR 513,120 (2017: EUR 115,540) related to the Management Fee. Both amounts were recognised under "Outside Services" in the accompanying statement of profit or loss.

Also, in 2017 EUR 28,972 were recognised as other expenses incurred for the account of the Company from the date of entry into force of the Management Agreement up to the end of 2017.

Lastly, as a result of the loan agreement entered into in 2018 with Vistalegre Property Management, S.L. (see Note 8.2) interest amounting to EUR 22,308 has accrued and been recognised under "Finance Costs" in the accompanying statement of profit or loss.

Other related parties

In 2018 no amounts were earned by individuals and other companies related to the Company. In 2017 EUR 569,142 (including non-deductible VAT) were earned by individuals and other companies related to the Company in connection with services rendered up to the date the agreement with the management company was signed (see Note 1).

b) Related party balances

The detail of the balances with related parties in 2018 and 2017 is as follows:

2018

	Euros		
	Other non-current financial liabilities (Note 8.2)	Other current financial liabilities (Note 8.2)	Sundry accounts payable
Vistalegre Property Management, S.L.	893,659	829,277	360,348
	893,659	829,277	360,348

2017

	Euros		
	Other non-current financial liabilities (Note 8.2)	Other current financial liabilities (Note 8.2)	Sundry accounts payable
Vistalegre Property Management, S.L.	446,946	-	1,951,561
	446,946	-	1,951,561

The balance of "Sundry Accounts Payable" relates to the remuneration earned by the management company in 2018. As stipulated in the management contract, the balance recognised totalling EUR 360,348 will be paid to the management company in 2019.

The balance of "Other Current Financial Liabilities" relates to the agreement entered into in 2018 with Vistalegre Property Management, S.L. (see Note 8.2).

The amount of EUR 893,659 (2017: EUR 446,946) recognised under "Other Non-Current Financial Liabilities" forms part of the Performance Fee Basket, of which EUR 595,850 are not distributable (EUR 148,904 relating to 2018 and EUR 446,946 relating to 2017), and will be adjusted in subsequent years on the basis mainly of the asset appraisals calculated by independent third parties. The remaining EUR 297,809 will be distributable to the Management Company over the coming years.

12. Reporting requirements arising from REIT status, Law 11/2009, amended by Law 16/2012

The detail of the reporting requirements arising from REIT status, Law 11/2009, amended by Law 16/2012 is as follows:

- a) Reserves from years prior to the application of the tax regime established under Law 11/2009, amended by Law 16/2012, of 27 December.

Loss of EUR 8,790 incurred in the eleven-month period ended 31 December 2015.

- b) Reserves from years in which the tax regime established in Law 11/2009, amended by Law 16/2012, of 27 December, was applied, differentiating the portion relating to income subject to tax at 0% or 19% from the portions which, where applicable, were subject to tax at the standard rate.

Losses of EUR 2,853,886 and EUR 91,291 incurred in 2017 and 2016, respectively.

- c) Dividends distributed with a charge to profit or loss in each year in which the tax regime established in this Law was applied, differentiating the portion relating to income subject to tax at 0% or 19% from the portions which, where applicable, were subject to tax at the standard rate.

N/A.

- d) In the case of distribution of dividends with a charge to reserves, designation of the year in which the reserve distributed in the form of dividends arose and whether they were subject to the 0%, 19% or standard tax rate.

Dividends have not been paid in any year.

- e) Date of the dividend payment resolution referred to in c) and d) above.

N/A.

- f) Date of acquisition of the properties earmarked for lease and of the investments in the share capital of entities referred to in Article 2.1 of Law 11/2009.

The detail of the properties earmarked for lease is as follows:

Property	Acquisition date	Fair value
C/ Vistalegre, 24, Barcelona	12/02/15	1,130,000
C/ Buenos Aires, 35, L'Hospitalet de Llobregat	29/05/15	3,370,000
C/ Berga, 21, Barcelona	09/03/16	4,500,000
Passeig de Montjuïc, 68, Barcelona	09/03/16	4,200,000
C/ Sepúlveda, 107, Barcelona	16/06/16	4,530,000
C/ Ramón Turró, 23, Barcelona	01/12/16	6,210,000
C/ Poeta Cabanyes, 40, Barcelona	20/12/16	4,290,000
C/ Sant Bertran 8, Barcelona	07/09/17	3,870,000
C/ Girona 92, Barcelona	28/12/17	4,600,000
C/ Olivera 18, Barcelona	14/05/18	3,350,000
C/ Pedreres, 11, Barcelona	13/09/18	2,250,000
C/ Lluna, 3, Barcelona	13/09/18	3,200,000
C/ Joaquín Costa, 57, Barcelona	04/10/18	3,720,000
C/ Hospital, 105, Barcelona	20/12/18	2,780,000

- g) Date of acquisition of the investments in the share capital of entities referred to in Article 2.1 of Law 11/2009.

N/A.

- h) Identification of the assets that are included in the calculation of the 80% to which Article 3.1 of Law 11/2009 refers.

The properties described in f) above total EUR 32,911,877, recognised under "Investment Property" in the accompanying balance sheet, and represent 88% of total assets.

- i) Reserves from years in which the special tax regime established in Law 11/2009 was applicable that were used in the tax period for purposes other than their distribution or to offset losses, identifying the year in which the related appropriations were made.

N/A.

13. Other disclosures

13.1. Employees

The average number of employees in 2018 and 2017, by professional category, was as follows:

Professional category	2018	2017
Managers and university graduates	2	1
Clerical staff	1	1
Total	3	2

Also, the headcount at the end of 2018 and 2017, by professional category and gender, was as follows:

Professional category	2018		2017	
	Men	Women	Men	Women
Managers and university graduates	-	2	-	1
Clerical staff	2	-	1	-
Total	2	2	1	1

At the end of 2018 and 2017 there were no employees with a disability equal to or greater than 33%.

13.2. Fees paid to auditors

In 2018 and 2017 the fees for financial audit and other services provided by the Company's auditor, Deloitte, S.L., or by firms related to the auditor as a result of a relationship of control, common ownership or common management, were as follows:

	Euros	
	2018	2017
Audit services	25,550	25,000
Other attest services	10,000	39,100
Total audit and related services	35,550	64,100
Other services	-	69,000
Total professional services	35,550	133,100

13.3. Amendment or termination of agreements

There has been no conclusion, amendment or early termination of any agreement between the Company and any of its shareholders or directors, or any person acting on their behalf, in relation to transactions outside the ordinary course of the Company's business operations or transactions not performed on an arm's length basis.

14. Events after the reporting period

From the end of the reporting period to the date of formal preparation of these financial statements no other significant event occurred that made it necessary to modify the information contained in the notes to the financial statements or which might affect the assessment of the Company by third parties.

15. Explanation added for translation to English

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

Barcelona, 21 March 2019

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

Barcino Property Socimi, S.A.

Directors' Report for the year ended 31 December 2018

Businesses and activities

In 2018 the Company consolidated a portfolio of 14 properties by acquiring 5 new buildings. Also, one of its assets was completely refurbished and will enter into service in April 2019 and nine vacant housing units in other properties were partially refurbished. The portfolio of assets generated rent revenue of EUR 1,261,054 in 2018 (2017: EUR 895,282).

The process to increase capital commenced on 18 May 2018 and was completed on 6 September 2018 with its execution in a public deed. The capital increase gave rise to a total disbursement of EUR 9,761,033.15 and was achieved through the issue of 6,731,747 ordinary registered shares of EUR 1 par value each and a share premium of EUR 0.45 per share.

In 2019 the Company aims to continue to refurbish those assets the refurbishment of which is pending and engage in its property rental business.

Earnings

In the year ended 31 December 2018 the Company incurred a loss of EUR 1,632,573 (2017: EUR 2,853,886).

This loss is due to the vast majority of the Company's assets are not fully operational because they are being refurbished.

The Company's Board of Directors will submit for approval by the Annual General Meeting that this loss be allocated to "Prior Years' Losses".

Exposure to credit risk

The Company's exposure to credit risk is due mainly to its accounts receivable derived from the lease of housing units and the advances paid to suppliers in relation to the refurbishment of the buildings. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the Company's directors based on a case-by-case analysis, taking into consideration prior years' experience and their assessment of the current economic environment.

Exposure to interest rate risk

The Company does not arrange interest rate hedges.

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

The Company's average payment period for payments made in the year ended 31 December 2018 was 57 days.

Other disclosures

As a requirement for becoming listed on the Alternative Equity Market, on 14 November 2017 the Company acquired treasury shares representing 0.079% of its share capital (113,208 shares) for EUR 150 thousand (an average price of EUR 1.325 per share).

In 2018 the Company sold 63,206 treasury shares and bought 100 treasury shares. At 31 December 2018, the Company held 50,102 treasury shares.

No research and development activities are performed.

No events worthy of mention took place after the reporting period other than those detailed in the notes to the financial statements.

Information on the environment

In view of the business activity carried on by the Company, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the financial statements.

Barcino Property Socimi, S.A.

Authorisation for issue of the financial statements for 2018

These financial statements and directors' report of Barcino Property Socimi, S.A. for the year ended 31 December 2018 were authorised for issue by the directors with a view to their subsequent approval by the shareholders. These financial statements and directors' report are presented on 34 sheets of paper.

Barcelona, 21 March 2019

Mateu Turró Calvet

Francesc Ventura Teixidor

Ralph Weichelt