

**IPOSA PROPERTIES SOCIMI, S.A.**

**Audit Report, Annual Accounts  
to the period  
ended December, 31<sup>st</sup> 2018**

## INDEPENDENT AUDITOR'S REPORT OF ANNUAL ACCOUNTS

To the Shareholders of **IPOSA PROPERTIES SOCIMI, S.A.**

### Report of the annual accounts

#### Opinion

We have audited the abbreviated annual accounts of **IPOSA PROPERTIES SOCIMI, S.A.**, which comprises the abbreviated balance sheet at December 31, 2018, the abbreviated profit and loss account and the abbreviated annual report correspondent to the year then ended.

In our opinion, the accompanying abbreviated annual accounts present fairly, in all material respects, the view of the equity and the financial position of the Company as at December 31, 2018, and its earnings for the year then ended, in accordance with the financial reporting framework applicable (identified in the Note 2), and, particularly, with the generally accepted accounting principles and standards applicable contained in the framework.

#### Basis for opinion

We conducted our audit in accordance with the audit regulation and standards in force in Spain. Our responsibilities under those standards are further described in *the Auditor's Responsibilities for the Abbreviated Annual Accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those of independence, which are applicable to our audit of the annual accounts according to the auditing regulatory legislation in Spain. In that sense, we have not provided any other services than the audit of the annual accounts, and no situations or circumstances have occurred that, in accordance with the Spanish standards above mentioned, may have affected to the required independence so that it has been committed.

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

#### Most relevant matters of the audit

The most relevant matters of the audit are those that, according to our professional judgement, were of most significance in our annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Valuation of Property Investments. Evaluation of possible impairment losses.

The Company is the result of the total split of the mercantile company INMOBILIARIA DEL PASAJE DE OVIEDO, S.A. through the division of its assets in two parts and its transfer to two newly created companies called INMOBILIARIA DEL PASAJE DE OVIEDO, S.L. and IPOSA PROPERTIES SOCIMI, S.A.

At the time of the split an independent expert made an assessment of the non-monetary assets of INMOBILIARIA DEL PASAJE DE OVIEDO, S.A., determining the market value of the property investments managed by IPOSA PROPERTIES SOCIMI, S.A. These property investments are of an urban nature and located in Spain. IPOSA PROPERTIES SOCIMI, S.A. value these assets at their cost, whether by their purchase price or production cost, recording impairment if their market value is lower. At December 31, 2018, property investments portfolio is recorded in the abbreviated balance for a net book value of 4,045,948.07 euros, which represents 67% of its total assets.

We have considered that the estimation of the value and possible impairment losses of the Property Investments represent the most relevant aspect of the audit, due to the significance of the amounts and the relevance and uncertainty associated with the judgments and estimates made.

Our audit procedures to address this aspect included, among others:

- The review of the design and implementation of the relevant controls that mitigate the risks associated with the valuation process of the Property Investments. In particular, we have tested those by which the directors supervise and approve the hiring and the work done by the experts hired for this purpose, as well as that there is no pressure on the result of the work carried out by these experts.
- The evaluation of the facts and circumstances examined to consider the existence of signs of impairment on this type of assets.
- The evaluation of the competence, independence and integrity of the external evaluator.
- The verification of the reasonableness of the procedures and methodology and the performance of selective tests of verification of technical data used and verification of the technical hypotheses used, taking into account the circumstances of the market.
- Finally, we have reviewed the breakdowns made in relation to these aspects, which are included in Note 5 of the enclosed abbreviated annual report, contain the necessary information required by the applicable financial reporting framework in relation to this issue.

### **Responsibilities of the directors for the abbreviated annual accounts**

The directors are responsible for the preparation of these abbreviated annual accounts, so that they express the fair view of the equity, of the financial position and the earnings of the Company, in accordance with the framework of financial information applicable to the entity in Spain, and for such internal control as management deems necessary to enable the preparation of the abbreviated annual accounts that are free of material misstatement, whether due to fraud or error.

In preparing the abbreviated annual accounts, the directors are responsible for assessing the Company's ability to continue as an ongoing organization, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



### **Auditor's responsibilities for the abbreviated annual accounts**

Our objectives are to obtain reasonable assurance about whether the abbreviated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Spanish Law and Standards on Audit will always detect a material misstatement when it exists.

Misstatements can arise from a fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these abbreviated annual accounts.

As a part of an audit in accordance with Spanish Law and Standards on Auditing, we exercise professional judgement and maintain a professional scepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the abbreviated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the abbreviated annual accounts, and to conclude, based on the audit evidence obtained whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we would mention in our audit report that adequate disclosure is made in the abbreviated annual accounts or, if there were not the right disclosures, we would express a modified opinion. Our conclusions are based on the audit evidence obtained until the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the abbreviated annual accounts, including the disclosures, and whether the abbreviated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with the directors of the entity regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Among the significant risks that have been communicated to the Company's directors, we determine those that have been relevant in the audit of the current abbreviated annual accounts and which are, consequently, the most relevant risks.

We describe those risks in our audit report unless legal or statutory requirements prohibit revealing publicly the issue.

Madrid, June, 7<sup>th</sup> 2019

**Crowe Servicios de Auditoría, S.L.P.**

Pedro Rodríguez Fernández

Partner

ROAC: 14.249

(Signed in the original version)

Note: This special report is a translation of the special report dated on June, 7<sup>th</sup> 2019 that was issued in Spanish. Where there is any doubt, the Spanish special report version shall prevail.

**IPOSA PROPERTIES SOCIMI, S.A.**

**ABRIDGED ACCOUNTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018**

**ASSETS**

**Financial Year 2018**

<b>A) NON-CURRENT ASSETS</b>		<b>5,684,764.43</b>
II. Tangible Fixed Assets	5	312,526.46
III. Property Investments	5	4,045,948.07
IV. Investments in Group Companies and Affiliates	7	1,314,794.08
V. Long-term Financial Investments	7	11,495.82
<b>B) CURRENT ASSETS</b>		<b>334,539.67</b>
II. Trade Receivables and other Accounts Receivable		130,267.31
1. Customer Receivables for Sales and Services	7	115,032.26
3. Other Debtors	9	15,235.05
IV. Short-term Financial Investments		95,901.28
VI. Cash and other Equivalent Liquid Assets		108,371.08
<b>TOTAL ASSETS (A+B)</b>		<b>6,019,304.10</b>

**EQUITY AND LIABILITIES**

**Financial Year 2018**

<b>A) EQUITY</b>		<b>5,304,086.76</b>
A-1) Shareholders' Equity		5,304,086.76
I. Capital	6	5,058,818.16
1. Authorised Capital	6	5,058,818.16
III. Reserves		(781,437.33)
VII. Results for the Financial Year	3	1,026,705.93
<b>B) NON-CURRENT LIABILITIES</b>	<b>8</b>	<b>307,309.49</b>
II. Long-term Debts	8	307,309.49
3. Other Long-term Debts	8	307,309.49
<b>C) CURRENT LIABILITIES</b>		<b>407,907.85</b>
IV. Trade Payables and other Accounts Payable		407,907.85
1. Suppliers	8	14,951.14
2. Other Creditors		392,956.71
<b>TOTAL EQUITY AND LIABILITIES (A+B+C)</b>		<b>6,019,304.10</b>

IPOSA PROPERTIES SOCIMI, S.A.

ABRIDGED ACCOUNTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018

**PROFIT AND LOSS**

Financial Year 2018

**OPERATIONS**

1. Net Business Turnover	11.1	2,196,068.34
5. Other Operating Revenue		1,069.96
6. Personnel Expenses	11.2	(57,679.53)
7. Other Operating Expenses	11.3	(706,690.58)
8. Depreciation of Fixed Assets		(82,705.48)
11. Impairment, Profit/Loss from Disposal of Fixed Assets and Extraord. Income		30,453.87

**A) OPERATING RESULTS**

**1,380,516.58**

12. Financial Revenue	11.4	645.36
14. Change in the Fair Value of Financial Instruments		(12,187.19)

**B) FINANCIAL RESULTS**

**(11,541.83)**

**C) RESULT BEFORE TAXES (A+B)**

**1,368,974.75**

17. Tax on Profits	10	(342,268.82)
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**D) RESULT FOR THE FINANCIAL YEAR (C+17)**

**1,026,705.93**

## IPOSA PROPERTIES SOCIMI, S.A.

### ABRIDGED ACCOUNTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018

#### 1. GENERAL INFORMATION

IPOSA PROPERTIES SOCIMI, S.A. (hereinafter, the Company), was incorporated as a public limited company [*Sociedad Anónima*] in Spain on 28 December 2018 via a public document drawn up before the Notary of Madrid, Mr Iñigo Casla Uriarte, with the company name IPOSA PROPERTIES SOCIMI, S.A.

The Company is registered in the Commercial Registry of Madrid in volume 38.314, page 149, section 8 and sheet M-681706, with the Tax Identification Number being A-88276829.

The Company is the result of the total splitting up of the Commercial Company INMOBILIARIA DEL PASAJE DE OVIEDO, S.A., by dividing its assets into two parts and transferring them to two newly-created companies named IPOSA PROPERTIES SOCIMI, S.A. and INMOBILIARIA DEL PASAJE DE OVIEDO, S.L. For accounting purposes, the operations of the Company that were split up are regarded as being carried out by the beneficiary Companies, as of 1 January 2018. This will be the date when control was acquired pursuant to that established in paragraph 2.2.2 of regulation 21 of the General Accounting Plan.

The current registered office is located at Calle Tambre, número 1, (28002 Madrid), with its activity and corporate purpose being as follows:

- The acquisition and development of urban properties for lease. The development activity includes renovation of buildings under the terms set forth in Law 37/1992 of 28 December, on Value Added Tax.

All activities for which the law demands requirements that cannot be met by this Company are excluded.

Activities that are part of the corporate purpose may be carried out both in Spain and abroad.

The Company does not have stakes in other Companies with which a group or affiliate relationship may be established, in accordance with the requirements set forth in Art. 42 of the Code of Commerce and Regulations 13 and 15 of the Third Part of Royal Decree 1514/2007, which approved the General Accounting Plan, regarding the requirement to draw up Consolidated Annual Accounts.

The functional currency with which the Company operates is the euro. The criteria established in the General Accounting Plan have been followed in order to draw up the annual accounts in euros.

#### 1.2. SOCIMI Regime

The regime on Spanish Real Estate Investment Trusts (*Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario*, SOCIMI) is subject to Law 11/2009, of 26 October, with amendments incorporated into the latter by Law 16/2012, of 27 December, which regulates SOCIMIs. Article 3 sets forth certain requirements for this type of company, as follows:

- a) They must have invested at least 80% of the value of their assets in urban real estate that is intended to be leased, in land for the development of real estate that will be assigned to that purpose provided that the development begins within three years of acquisition, as well as in the capital stock or equity interests of other entities referred to in paragraph 1 of Article 2 of this Law.



**ABRIDGED ACCOUNTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018**

- b) At least 80% of the income from the tax period corresponding to each financial year - excluding that arising from the transfer of the equity interests and properties related to the Company's fulfilment of its main corporate purpose, and once the maintenance period mentioned in the next paragraph has passed - must come from the lease of properties and from dividends or equity interests in profits linked to the above-mentioned investments.
- c) The properties of which the Company's assets consist must remain leased for at least three years. For the purposes of the calculation, the amount of time the properties have been offered for lease shall be added, with a maximum of one year.

The First Transitory Provision of the SOCIMI Law permits the application of the SOCIMI Tax Regime in the terms set out in Article 8 of the SOCIMI Law, even if the requirements demanded therein are not met as of the date of incorporation, provided that such requirements are met within two years after the date that such Regime is chosen. In the opinion of the Company's Directors, the above-mentioned requirements will be fully met in time.

The Company's shares, as of the date when these abridged annual accounts are drawn up, are not listed in any regulated market.

## **2. BASES OF PRESENTATION**

### **2.1 True picture**

The abridged annual accounts have been prepared based on the Company's accounting records and are presented in accordance with current commercial legislation and with the regulations set forth in the General Accounting Plan approved by Royal Decree 1514/2007, and the amendments introduced into it by Royal Decree 1159/2010 and Royal Decree 602/2016, in order to show a true picture of the Company's equity, financial position and results.

### **2.2 Operating Company**

As may be seen from the abridged balance sheet as of 31 December 2018, the Company is not subject to dissolution under article 363 of the Capital Companies Law.

### **2.3 Non-mandatory accounting principles**

No non-mandatory accounting principles have been applied. Additionally, the Directors have drawn up these abridged annual accounts taking into consideration all mandatory accounting principles and regulations that have a significant effect on the above-mentioned abridged annual accounts. There is no mandatory accounting principle that has not been applied.

### **2.4 Critical aspects of valuation and estimation of uncertainty**

The preparation of abridged annual accounts requires the Company to use certain estimates and judgements about the future that are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates, by definition, will rarely match the corresponding actual results.

As of the end of the 2018 financial year, the Company's Directors are not aware of the existence of any uncertainties regarding events or conditions that may give rise to significant doubts about the possibility of the Company continuing to operate normally.

## ABRIDGED ACCOUNTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018

**2.5 Comparison of information**

According to commercial legislation, for comparison purposes, each item of the abridged balance sheet, the abridged profit and loss account and the abridged statement of changes in net equity must show not only the figures for the 2018 financial year, but also those for the 2017 financial year; however, since the company was incorporated in 2018, this comparison does not apply.

**2.6 Grouping of items**

In order to facilitate understanding of the abridged balance sheet, the abridged profit and loss account and the abridged statement of changes in net equity, these statements are shown grouped, with the necessary analyses being shown in the corresponding notes to the financial statements.

**3. DISTRIBUTION OF RESULTS**

The proposed distribution of the results for the year ending on 31 December 2018, drawn up by the Directors and pending approval by the Shareholders, is as follows:

	Euros
<b><u>DISTRIBUTION BASIS</u></b>	<b><u>2018</u></b>
Result for the financial year	1,026,705.93
<b>Total</b>	<b>1,026,705.93</b>
 <b><u>DISTRIBUTION</u></b>	
Legal reserve	102,670.59
Voluntary reserve	924,035.34
<b>Total</b>	<b>1,026,705.93</b>

Article 6 of Law 11/2009, of 26 October, with the amendments incorporated into the latter by Law 16/2012, of 27 December, which regulate SOCIMIs, sets out the obligations for distributing results. The method for distributing dividends to their shareholders is as follows:

- 100% of the profits arising from dividends or equity interests in profits distributed by the entities referred to in Article 2 paragraph 1 of Law 11/2009 of 26 October, with the amendments incorporated into the latter by Law 16/2012, of 27 December.
- At least 50% of the profits arising from the transfer of properties and shares/equity interests referred to in Article 2 paragraph 1 of Law 11/2009 of 26 October, with the amendments incorporated into the latter by Law 16/2012, of 27 December.
- At least 80% of all other profits obtained.

ABRIDGED ACCOUNTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018

**4. ACCOUNTING CRITERIA**

The main valuation standards used by the Company in drawing up its abridged annual accounts, as established by the General Accounting Plan, have been as follows:

**4.1 Tangible fixed assets and property investments**

These are valued at their cost, either the purchase price or production cost including, but not limited to, the amount invoiced after deducting any discounts or rebates in the price, all additional and directly related expenses incurred until the assets start operation, such as levelling and demolition, transport, insurance, installation, assembly and other similar expenses.

The Company includes in the cost [sic] that requires a period of time longer than one year to be ready for use, operation or sale, any financial expenses related to specific or generic financing, directly attributable to acquisition, construction or production.

The value also includes the initial estimate of the current value of the obligations assumed from dismantling or disposal and other obligations associated with the asset, such as renovation costs, when these obligations result in the recording of provisions, as well as the best estimate of the current value of the contingent amount; however, contingent payments that depend on amounts related to the carrying out of the activity are accounted for as an expense in the profit and loss account as they are incurred.

The Company does not have any dismantling, disposal or renovation commitments for its assets. Therefore, amounts for the coverage of such future obligations have not been accounted for in assets.

A loss for impairment in the value of an item is recorded when its net book value exceeds its recoverable amount, with the latter being understood as the larger of its fair value minus sale costs, and its value in use, or its market value.

The Company's Board of Directors believes that the book value of the assets does not exceed their recoverable value, nor their market value.

Expenses incurred during the financial year for works and jobs performed by the Company will be charged to the relevant expenditure accounts. Extension or improvement costs that lead to increased production capacity or longer useful life of assets are incorporated into them as a higher value. The accounts of tangible fixed assets under construction are charged for the amount of those costs, with a credit to the revenue item that records the works performed by the Company for itself.

Costs related to major repairs of items are recognised as a replacement at the time they are incurred and depreciated during the period between then and the next repair, writing off any amount associated with the repair that may remain in the book value of the above-mentioned fixed asset.

The depreciation of items is carried out, from the time they are available to be put into operation, by using the straight-line method over their estimated useful life, estimating a residual value of zero, depending on their years of useful life.

The Company evaluates at least at the close of each financial year whether there is evidence of impairment losses which reduce the recoverable value or market value of such assets to an amount lower than their book value. If there is any such indication, the recoverable value or market value of the asset is estimated to determine the extent of any impairment loss. If the asset does not generate cash flows that are independent of other assets or asset groups, the Company will calculate the recoverable value of the cash generating unit (CGU) to which the asset belongs.

**ABRIDGED ACCOUNTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018**

The recoverable value of assets is the greater of their fair value minus selling costs and their value in use. The determination of value in use is based on expected future cash flows that will be derived from the use of the asset, expectations of possible variations in the amount or temporal distribution of the flows, the price that must be paid to bear the asset-related uncertainty, and other factors that participants in the market would consider when assessing future cash flows related to the asset.

If the recoverable amount or estimated market value is less than the net book value of the asset, the corresponding impairment loss is recorded against the profit and loss account, reducing the book value of the asset to its recoverable amount.

Once the correction for impairment in value or its reversal is acknowledged, the depreciations of the following financial years are adjusted considering the new accounting value.

Notwithstanding the foregoing, if the specific circumstances of the assets show an irreversible loss, this is recognised directly in losses from the profit and loss account.

In the 2018 financial year, the Company has not recorded impairment losses for tangible fixed assets that are not property investments.

#### **4.2 Financial Assets**

Loans and receivables are non-derivative financial assets with fixed or determinable collections that are not traded on an active market. These are included in current assets, except for maturities greater than 12 months from the balance sheet date, which are classified as non-current assets.

These financial assets are initially valued at their fair value, including transaction costs that are directly chargeable to them, and subsequently at amortised cost, recognising interest accrued based on their effective interest rate, which is understood as the adjusted rate that matches the book value of the financial instrument with all of its estimated cash flows until maturity. However, credits for commercial operations with maturities not exceeding one year are valued, both at initial recognition and subsequently, at their nominal value provided that the effect of not updating the flows is not significant.

At least at the end of the financial year, the necessary value impairment corrections are made if there is objective evidence that not all amounts due will be collected.

The amount of the impairment loss is the difference between the book value of the asset and the current value of estimated future cash flows, discounted at the effective interest rate at initial recognition. Value corrections, as well as their reversal, are recognised in the profit and loss account.

Financial assets are written off in the abridged balance sheet when all risks and benefits inherent to ownership of the asset are substantially transferred. In the particular case of accounts receivable, it is understood that this fact occurs in general if the risks of insolvency and delay have been transferred.

The Company's cash does not have any restriction of availability of any kind.

**ABRIDGED ACCOUNTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018**

**4.3 Equity**

The capital stock is represented by ordinary shares.

The costs of issuing new shares are presented directly against net equity, as lower reserves.

In the case of purchase of shares owned by the Company, the consideration paid, including any directly attributable incremental costs, is deducted from net equity until such shares are paid for, re-issued or sold. When these shares are sold or are subsequently re-issued, any amount received, net of any directly attributable incremental costs of the transaction, is included in net equity.

The shares of the Company are not traded on any regulated market. Dated 31 December 2018.

As part of the requirements to be included under the SOCIMI regime, the Company's shares must be accepted for trading in a regulated market or in a multilateral Spanish trading system in any other country where there exists an exchange of tax information. Similarly, due to the demands of the above-mentioned regime, the Company's shares have become nominative.

**4.4 Financial Liabilities**

This category includes debits for non-commercial operations. These loans from third parties are classified as current liabilities unless the Company has an unconditional right to defer their payment for at least 12 months after the balance sheet date.

These debts are initially recognised at fair value adjusted by the directly chargeable transaction costs, being subsequently recorded at amortised cost using the effective interest rate method. This effective interest rate is the adjusted rate that matches the book value of the financial instrument with the expected flow of future payments until the liability matures.

Notwithstanding the above, debits for commercial operations with maturities not exceeding one year and which do not have a contractual interest rate are valued, both at the baseline and subsequently, at nominal value when the effect of not updating cash flows is not significant.

If there is any renegotiation of existing debts, the view is taken that there are no substantial changes in the financial liability when the lender of the new loan is the same as the one that granted the initial loan and the current value of the cash flows, including net fees, does not differ by more than 10% from the current value of the outstanding cash flows of the original liability calculated using that same method.

**4.5 Provisions and contingent liabilities**

Provisions are recognised when the Company has a present obligation, whether legal or implicit, as a result of past events, it is likely that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are valued at the current value of the disbursements expected to be necessary to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of the money and the specific risks of the obligation. Adjustments to the provision based on updates are recognised as a financial expense as they accrue.



**ABRIDGED ACCOUNTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018**

Provisions with a maturity less than or equal to one year, with a non-significant financial effect, are not discounted.

When some of the disbursement required to settle the provision is expected to be reimbursed by a third party, the reimbursement is recognised as an independent asset, provided that it is practically certain to be received.

For their part, contingent liabilities are defined as possible liabilities arising from past events, whose materialisation is conditional upon whether or not one or more future events outside the Company's control will occur. Such contingent liabilities are not subject to accounting record by presenting details thereof in the financial statements.

#### **4.6 Tax on profits**

##### **4.6.1 General regime**

Expenditure or revenue from profit tax comprises the portion relating to expenditure or revenue from current tax and the portion relating to expenditure or revenue from deferred tax.

Current tax is the amount that the Company pays as a result of payments of Profit Tax for any financial year. Deductions and other tax benefits regarding the amount of tax, excluding withholdings and payments on account, as well as tax loss carry-forwards from previous financial years effectively applied in this one, result in a lower amount of current tax.

Current tax assets and liabilities will be valued at the amounts expected to be paid or recovered from the tax authorities, in accordance with current regulations or those regulations which have been approved and are pending publication on the closing date of the financial year.

Deferred tax expenditure or revenue correspond to the recognition and cancellation of deferred tax assets and liabilities. These include temporary differences that are identified as those amounts that are expected to be payable or recoverable from differences between the book values of assets and liabilities and their tax value, as well as tax loss carry-forwards awaiting compensation and credits for tax deductions not applied through tax. These amounts are recorded by applying to the relevant temporary difference or credit the tax rate at which they are expected to be recovered or paid.

Deferred tax liabilities are recognised for all taxable temporary differences, except those arising from initial recognition of goodwill or other assets and liabilities in an operation that does not affect either the tax result or the accounting result and is not a business combination.

For their part, deferred tax assets are only recognised to the extent that the Company is likely to have future taxable gains against which they may be offset.

Deferred tax assets and liabilities arising from transactions with direct charges or payments in shareholders' equity are also accounted for with an offsetting entry in net equity.

Deferred tax is determined by applying the regulation and tax rates approved or about to be approved at the balance sheet date and which are expected to apply when the corresponding deferred tax asset is realised or the deferred tax liability is paid.

#### 4.6.2 SOCIMI Regime

Under Law 11/2009, of 26 October, with the amendments incorporated into the latter by Law 16/2012, of 27 December, which regulate Spanish Real Estate Investment Trusts (*Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario*, SOCIMI), entities that meet the requirements defined in the regulation and opt for the application of the special tax regime set forth in the above-mentioned Law will be taxed at a rate of 0% in the Corporation Tax. If carry-forward tax losses are generated, article 25 of the Consolidated Text of the Corporation Tax Law will not apply. In addition, the scheme of deductions and rebates set forth in Chapters II, III and IV of that regulation shall not be applicable. For everything else not established in the SOCIMI Law, the provisions of the Consolidated Text of the Corporation Tax Law shall be applicable in a supplementary sense.

The entity shall be subject to a special tax rate of 19% on the full amount of dividends or shares in profits distributed to partners whose stake in the entity's capital stock is equal to or greater than 5%, when such dividends, for such partners, are exempt or pay tax at a rate of less than 10%. This tax rate will be regarded as the Corporation Tax payment.

#### 4.7 Classification of assets and liabilities between current and non-current

Assets and liabilities are presented in the abridged balance classified as either current or non-current. For these purposes, assets and liabilities are classified as current when they are linked to the normal operating cycle of the Company and are expected to be sold, consumed, realised or settled in the course of that cycle; they are different from the above and their expiry, disposal or realisation is expected to take place within one year. They are held for trading purposes, or they are cash and other equivalent liquid assets whose use is not restricted for a period longer than one year.

#### 4.8 Revenue and expenditure

Revenue and expenditure are allocated based on the accrual method, i.e., when the actual flow of goods and services that they represent takes place, regardless of the time when the monetary or financial flow arising from them takes place.

Revenues are recorded at the fair value of the consideration to be received and represent the amounts to be collected for the goods delivered and services rendered in the ordinary course of the Company's activities, minus returns, rebates, discounts and value added tax.

#### 4.9 Transactions between related parties

Transactions between group companies and related ones are generally accounted for at baseline at fair value. Where applicable, if the agreed price differs from fair value, the difference is recorded by taking into consideration the economic reality of the transaction. Subsequent valuation is performed as established in the respective regulations.

**IPOSA PROPERTIES SOCIMI, S.A.**

**ABRIDGED ACCOUNTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018**

**5. Tangible fixed assets and property investments**

The change during the financial year of each of these balance sheet items and their corresponding accumulated depreciations and accumulated adjustments in value for impairment is as follows:

**5.1 Tangible fixed assets**

	Land and buildings	Plant and other Tangible Fixed Assets	Property under construction and advances	Total
A) GROSS BALANCE START OF FINANCIAL YEAR 2018	-	-	-	-
(+) Other incomings	-	-	312,526.46	312,526.46
B) GROSS BALANCE END OF FINANCIAL YEAR 2018	-	-	312,526.46	312,526.46
D) ACCUMULATED DEPRECIATION, BALANCE END OF FINANCIAL YEAR 2018	-	-	-	-
D) ACCUMULATED DEPRECIATION, BALANCE END OF FINANCIAL YEAR 2018	-	-	-	-
E) IMPAIRMENT VALUE CORRECTIONS, BALANCE START OF FINANCIAL YEAR 2018	-	-	-	-
F) IMPAIRMENT VALUE CORRECTIONS, BALANCE END OF FINANCIAL YEAR 2018	-	-	-	-
<b>NBV</b>	-	-	<b>312,526.46</b>	<b>312,526.46</b>

**5.2 Property investments**

	Land and buildings	Plant and other Tangible Fixed Assets	Total
A) GROSS BALANCE START OF FINANCIAL YEAR 2018	-	-	-
(+) Acquisitions	328,152.61	5,379,677.84	5,707,830.45
(-) Write-downs	-	(497,164.35)	(497,164.35)
B) GROSS BALANCE END OF FINANCIAL YEAR 2018	<b>328,152.61</b>	<b>4,882,513.49</b>	<b>5,210,666.10</b>
D) ACCUMULATED DEPRECIATION, BALANCE END OF FINANCIAL YEAR 2018	-	-	-
(+) Incomings	-	(1,165,079.90)	(1,165,079.90)
Outgoings	-	361.87	361.87
D) ACCUMULATED DEPRECIATION, BALANCE END OF FINANCIAL YEAR 2018	-	(1,164,718.03)	(1,164,718.03)
E) IMPAIRMENT OF LAND AND NATURAL ASSETS, BALANCE START OF FINANCIAL YEAR 2018	-	-	-
F) IMPAIRMENT OF LAND AND NATURAL ASSETS, BALANCE END OF FINANCIAL YEAR 2018	-	-	-
<b>NBV</b>	-	-	<b>4,045,948.07</b>

List of properties allocated to leasing referred to in paragraph 1 of article 2 of Law 11/2009, amended by Law 16/2012

ACQUISITION DATE	ASSET NAME	ADDRESS	TOWN	TYPE OF ASSET
19/10/1982	C/ Uria 12	C/ Uria 12	Oviedo	PROPERTY INV
19/10/1982	C/ Uria 14	C/ Uria 14	Oviedo	PROPERTY INV
19/10/1982	C/ Uria 16	C/ Uria 16	Oviedo	PROPERTY INV
19/10/1982	C/ Milicias Nacionales 4	C/ Milicias Nacionales 4	Oviedo	PROPERTY INV
19/10/1982	C/ Milicias Nacionales 6	C/ Milicias Nacionales 6	Oviedo	PROPERTY INV
19/10/1982	C/ Milicias Nacionales 8	C/ Milicias Nacionales 8	Oviedo	PROPERTY INV
19/10/1982	C/ Pelayo 15	C/ Pelayo 15	Oviedo	PROPERTY INV
19/10/1982	C/ Pelayo 13	C/ Pelayo 13	Oviedo	PROPERTY INV
19/10/1982	C/ Pelayo 11	C/ Pelayo 11	Oviedo	PROPERTY INV

## ABRIDGED ACCOUNTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018

**6. SHAREHOLDERS' EQUITY****6.1 Capital Stock**

On 28 December 2018, the Company was incorporated with a capital stock of 5,058,818,16 euros, represented by 10,000 shares each with a nominal value of 505,881,816 euros, numbered successively 1 to 10,000 inclusive, which were fully subscribed and paid in.

According to Title I, Chapter III of the Capital Companies Law, the Company has been registered in the Commercial Registry as a public limited company [*sociedad anónima*].

**6.2 Legal Reserve**

As of 31 December 2018, the legal reserve has not been allocated pursuant to Section 274 of the Capital Companies Law.

The Company is obliged to allocate 10% of the profits of the financial year to establish the legal reserve, until this reaches at least 20% of the capital stock. Until it exceeds the above-mentioned limit, it can only be used to compensate for losses, if there are no other reserves available for such purposes, and it must be replenished with future profits.

Once the requirements established in the Law or the by-laws have been covered, dividends may only be distributed and charged to the profit for the financial year, or to freely-available reserves, if the value of net equity is not or, as a result of the distribution, does not become less than the capital stock. For these purposes, profits allocated directly to net equity cannot be distributed, whether directly or indirectly. If there are any losses from previous financial years that would make that value of the Company's net equity less than the figure for the capital stock, the profit will be allocated to offsetting these losses.

**6.3 Dividends**

The company has not distributed dividends or approved dividends on account during the financial year 2018.

**7. Financial assets**

2018	Long-term financial instruments		Short-term financial instruments		Total
	Equity instruments	Other derivative credits	Equity instruments	Other derivative credits	
Assets at fair value with changes in profit and loss	11,495.82	-	5,901.28	-	17,397.10
Investments held until maturity	-	-	90,000.00	-	90,000.00
Loans and accounts receivable	-	1,314,794.08	-	115,032.26	1,429,826.34
<b>Total</b>	<b>11,495.82</b>	<b>1,314,794.08</b>	<b>95,901.28</b>	<b>115,032.26</b>	<b>1,537,223.44</b>

IPOSA PROPERTIES SOCIMI, S.A.

ABRIDGED ACCOUNTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018

8. Financial liabilities

	Long-term financial instruments	Short-term financial instruments	
2018	Other Derivatives	Other Derivatives	Total
Debits and accounts payable	-	16,944.28	16,944.28
Other	307,309.49	-	307,309.48
<b>Total</b>	<b>307,309.49</b>	<b>16,944.28</b>	<b>324,253.77</b>

The detail of the long-term financial instruments, corresponding to the deposits, is broken down below:

MILICIAS NACIONALES, 4 33003 OVIEDO	
Address	Deposit
Premises 1	12,000.00
1st left	1,300.00
2nd left	540.00
2nd right	521.00
6th left	650.00

MILICIAS NACIONALES, 6 33003 OVIEDO	
Address	Deposit
Premises 1	9,000.00

MILICIAS NACIONALES, 8 33003 OVIEDO	
Address	Deposit
Premises 1	8,594.48
Premises 2	10,000.00
Premises 3	9,000.00
1st left	1,800.00

PELAYO, 11 33003 OVIEDO	
Address	Deposit
Premises 1	30,000.00
1st right	1,800.00
2nd left	1,600.00
3rd left	1,600.00
6th left	1,000.00
6th right	1,200.00

PELAYO, 13-15 33003 OVIEDO	
Address	Deposit
Premises 1	14,000.00
Premises 2	10,000.00
Premises 3	23,000.00
Office A	1,100.00
Office C	900.00



IPOSA PROPERTIES SOCIMI, S.A.

ABRIDGED ACCOUNTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018

URIA, 12 33003 OVIEDO	
Address	Deposit
Premises 1	1,200.00
Premises 3	6,000.00
Premises 6	7,200.00
Mezzanine 1	3,000.00
Mezzanine 3	400.00
Principal	2,200.00
Mezzanine right	700.00
Mezzanine left	700.00
1st, 2nd, 3rd floor	4,800.00
7th left	650.00

URIA, 14 33003 OVIEDO	
Address	Deposit
Premises 1	24,000.00
Premises 3	24,000.00
Premises 2, 1st, 2ns, 3rd and 4th floor	24,000.00

URIA, 16 33003 OVIEDO	
Address	Deposit
Premises 2	28,000.00
Premises 3	24,000.00
2nd office 1	1,150.00
2nd office 2	1,160.00
2nd office 3	2,000.00
2nd office 4	1,000.00
2nd office 5	2,000.00
3rd A	750.00
3rd B	750.00
3rd C	450.00
3rd D	550.00
4th A	1,900.00
4th G	550.00
4th H	650.00
5th I	450.00
5th J	754.00
5th K	650.00

## IPOSA PROPERTIES SOCIMI, S.A.

### ABRIDGED ACCOUNTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018

#### 8.1 Information about the nature and level of risk from financial instruments

The following information, both qualitative and quantitative, is detailed in relation to the different types of risk:

- Market risk: the Company is not exposed to market risks for non-financial assets.
- Exchange rate risk: the Company does not operate internationally and is therefore not exposed to exchange rate risk from operations in foreign currencies. Exchange rate risk arises from recognised assets and liabilities and net investments in foreign businesses.
- Credit risk: The Company's financial assets are comprised primarily of credit to related companies. The Company estimates that it has no significant credit risk on its financial assets.
- Liquidity risk: the Company undertakes prudent liquidity risk management, based on holding sufficient cash and the availability of financing via a sufficient amount of committed credit facilities and sufficient capacity to liquidate market positions.
- Interest rate risk in cash flows and fair value: the Company's interest rate risk arises from short and long-term loans from third parties. Loans from third parties issued at variable rates expose the Company to the interest rate risk of cash flows.

#### 9. Public Administrations

As a result of various legal obligations, the Company has relations with the Public Administration, from which will arise debtor and creditor positions vis-a-vis government agencies, as detailed below:

	31/12/2018
- Inland Revenue VAT payable	15,235.05
- Inland Revenue VAT credit	(106,584.50)
- Inland Revenue Income Tax credit	(2,888.90)
- Inland Revenue Corporation Tax credit	(153,107.97)
- Bodies of the creditor companies	(1,780.00)
<b>Total</b>	<b>(249,126.32)</b>

**IPOSA PROPERTIES SOCIMI, S.A.**

**ABRIDGED ACCOUNTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018**

**10. Tax position**

The reconciliation between the net amount of revenue and expenditure in the financial year and the tax base for profit tax as follows:

	<u><b>31/12/2018</b></u>
<b>Result before taxes</b>	1,368,974.75
Permanent differences	100.54
Temporary differences	-
<b>Tax base (tax result)</b>	<u><b>1,369,075.29</b></u>
<b>Corporation tax</b>	<u><b>342,268.82</b></u>

Current legislation states that taxes cannot be considered as definitively settled until the statements submitted have been inspected by the tax authorities, or the four-year prescription period has passed. The directors of the Company do not expect additional liabilities to be accrued for the Company as a result of any possible inspection.

As a result, amongst others, of different possible interpretations of current tax law, additional liabilities may arise from an inspection. In any case, the Directors consider that such liabilities, if any, would not significantly affect the abridged annual accounts.

The Company is awaiting inspection by the tax authorities of the main taxes that have applied to it since its incorporation (2018) and whose payment period has passed.

In compliance with Article 11 of Law 11/2009, the required information is detailed in the Annex to these abridged annual accounts, amended by Law 16/2012 of 27 December.

**11. Revenue and expenditure**

**11.1 Revenue**

The Company had the following revenue for the period ending on 31 December 2018:

	<u><b>31/12/2018</b></u>	
Revenue from business premises	1,962,667.67	
Revenue from housing	233,400.67	•
Revenue from miscellaneous services	1,069.96	
Extraordinary revenue	30,554.41	
	<b>2,227,692.71</b>	

## IPOSA PROPERTIES SOCIMI, S.A.

### ABRIDGED ACCOUNTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018

#### 11.2 Personnel Expenses

The Company has had employees during the period ending on 31 December 2018, and it has therefore incurred the following expenses on personnel:

	<u>31/12/2018</u>
Wages and salaries	43,347.66
Social Security	13,911.87
Other	420.00
	<b>57,679.53</b>

#### 11.3 Other operating expenses

The detail of this item of the profit and loss account as of 31 December 2018 is as follows:

	<u>31/12/2018</u>
Repair and maintenance	66,971.62
Professional Services	324,680.54
Insurance premiums	10,541.77
Banking and similar services	5,229.23
Supplies	108,373.94
Other expenses	2,113.85
Communications	1,540.10
Community expenses	3,572.30
Restaurant	457.33
Cleaning	9,478.02
Other taxes	160,940.21
Negative adjustments in non-current VAT assets	8,543.61
Negative adjustments in investment VAT	4,248.06
	<b>706,690.58</b>

#### 11.4 Financial result

	<u>31/12/2018</u>
Financial Expenses	-
Financial Revenue	645.36
	<b>645.36</b>

## 12. BOARD OF DIRECTORS AND SENIOR MANAGEMENT

### 12.1 Compensation to members of the Board of Directors

In the financial year ended on 31 December 2018, the Company's Directors have not received any remuneration by way of salaries, daily expenses or remuneration for shares in profits or premiums. Nor have they received shares or options on shares during the financial year, nor have they exercised options, nor do they have options to be exercised.

Likewise, no contributions by way of pension funds or plans to the directors have been made.

### 12.2 Conflict of interest situations of Directors

In accordance with their duty to avoid situations of conflict with the Company's interests, during the financial year, the directors who have held positions on the Board of Directors have complied with the obligations under Article 228 of the consolidated text of the Capital Companies Law. In addition, both they and their related persons have refrained from falling into the categories of conflicts of interest established in Article 229 of that law, except in cases where the corresponding authorisation has been obtained.

## 13. OPERATIONS WITH RELATED PARTIES:

Balances and transactions with related parties are as follows:

**31/12/2018**

Investments in group companies and affiliates

– Crédito IPOSA S.L.	1,314,794.08
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### Investments in Group Companies and Affiliates

INMOBILIARIA DEL PASAJE DE OVIEDO, S.L., as represented above, expressly and irrevocably acknowledges that it owes IPOSA PROPERTIES SOCIMI, S.A. the total amount of €1,314,794.07, with this amount being liquid, overdue and fully enforceable.

INMOBILIARIA DEL PASAJE DE OVIEDO, S.L. shall pay the above-mentioned amount to IPOSA PROPERTIES SOCIMI, S.A. within five (5) years of the date of the Agreement, i.e. before 31 December 2023.

The contract will accrue a fixed interest rate calculated at the rate of 1.70% per annum from the date of the document until the expiry of the Contract and/or its early termination. The interest will be payable and enforceable annually; and must be paid by INMOBILIARIA DEL PASAJE DE OVIEDO, S.L. on 31 December each year until full amortisation of the debt.

## 14. ENVIRONMENTAL INFORMATION

Given the Company's business activities, it does not have any responsibilities, expenditure, assets, provisions nor contingencies of an environmental nature that may be significant for its equity, financial status and earnings.



**IPOSA PROPERTIES SOCIMI, S.A.**

**ABRIDGED ACCOUNTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018**

**15. OTHER INFORMATION**

The average number of people employed during the financial year is the following:

<b>2018</b>	<b>MEN</b>	<b>WOMEN</b>
PERMANENT	1	1
TEMPORARY	1	-

The nature and purpose of the company's business as per its by-laws, when these are not specified in the balance sheet and regarding which no information is included in any other note to the financial statements, provided that this information is significant and helpful in determining the company's financial position.

**16. AVERAGE PAYMENT PERIOD**

	<b>2018</b>
Average supplier payment period	79.02

**17. SUBSEQUENT FACTS**

No significant subsequent facts have occurred at the end of the financial year.

[signature]

José Carlos Rodríguez San Pedro y Márquez  
Chairman

[signature]

Carlos Luís Rodríguez San Pedro y Martos  
Non-Board-member Secretary

Madrid, 25 March 2019

## ANNEX

Information requirements arising from SOCIMI status, Law 11/2009, amended by Law 16/2012:

Description	31/12/18
a) Reserves from financial years prior to the application of the tax regime established in Law 11/2009, amended by Law 16/2012, of 27 December.	Not applicable
b) Reserves from each financial year in which the special tax regime established in that law has applied <ul style="list-style-type: none"> <li>• Profits from income subject to the general tax rate</li> <li>• Profits from income subject to the 19% tax rate</li> <li>• Profits from income subject to the 0% tax rate</li> </ul>	Not applicable
c) Distributed dividends charged to profits of each financial year in which the tax regime set forth in this Law applies <ul style="list-style-type: none"> <li>• Dividends from income subject to the general tax rate</li> <li>• Dividends from income subject to the 18% (2009) and 19% (2010 to 2012) tax rate</li> <li>• Dividends from income subject to the 0% tax rate</li> </ul>	Not applicable
d) Distributed dividends charged to reserves <ul style="list-style-type: none"> <li>• Distribution charged to reserves subject to the general tax rate.</li> <li>• Distribution charged to reserves subject to the 19% tax rate</li> <li>• Distribution charged to reserves subject to the 0% tax rate</li> </ul>	Not applicable
e) Date of dividend distribution agreement referred to in letters c) and d) above	Not applicable
f) Date of purchase of lease properties that produce income under this special regime	Note 5
g) Date of purchase of shareholdings in the capital of entities referred to in paragraph 1 of article 2 of this Law.	Not applicable
h) Identification of the asset that is considered as within the 80 per cent referred to by paragraph 1 of article 3 of this Law	Note 5
i) Reserves arising from financial years in which the special tax regime set forth in this Law is applicable, which have been disposed of in the tax period, other than for distribution or to offset losses. The financial year from which these reserves arise must be identified.	Not applicable

**Mr CARLOS LUIS RODRÍGUEZ SAN PEDRO Y MARTOS,  
WITH DNI [*Documento Nacional de Identidad* (National ID  
Document)] 33442480- J, AS NON-BOARD-MEMBER  
SECRETARY OF THE BOARD OF DIRECTORS OF THE  
COMPANY IPOSA PROPERTIES SOCIMI, S.A., DOMICILED  
IN MADRID, CALLE TAMBRE, NÚMERO 1, AND CIF [*Código  
de Identificación Fiscal* (Tax ID Code)] A88276829**

## **I CERTIFY**

That the text of the abridged annual accounts for the 2018 financial year of the Company IPOSA PROPERTIES SOCIMI, S.A. which has been drawn up by the Board of Directors at its meeting today, 25 March 2019, is that contained in the official documents of the abridged Balance Sheet and Profit and Loss Account, and on the above sheets of paper on one side only, regarding the abridged Annual Report, and in witness whereof they have been certified by my signature and that of the Chairman of the Board of Directors.

The undersigned Directors hereby ratify them in compliance with the provisions of Article 253 of the Capital Companies Law.

## **SIGNATORIES**

\_\_\_\_\_  
[signature]  
**Mr José Carlos Rodríguez San Pedro y  
Márquez**

\_\_\_\_\_  
[signature]  
**Mr Pablo Rodríguez San Pedro Baselga**

\_\_\_\_\_  
[signature]  
**Mr Ignacio Rodríguez San Pedro y Marquez**

\_\_\_\_\_  
[signature]  
**Ms Eugenia Concepción Heredia  
Rodríguez San Pedro**

\_\_\_\_\_  
[signature]  
**Mr Marcos Sintés Rodríguez San Pedro**

\_\_\_\_\_  
[signature]  
**Mr Carlos Rodríguez San Pedro y Martos**

# **DISCLAIMER**

The Accounts of the Company has been signed in the Spanish version.

In the event of discrepation between the Spanish version and the English version, the Spanish version prevails.