



MRE-III-Proyecto Cinco, SOCIMI, S.A.

Annual Accounts
31 December 2018

Directors' Report
2018

(With Independent Auditor's Report Thereon)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)



KPMG Auditores, S.L.
Torre Realia
Plaça d'Europa, 41-43
08908 L'Hospitalet de Llobregat
(Barcelona)

Independent Auditor's Report on the Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of MRE-III-Proyecto Cinco, SOCIMI, S.A.

Opinion

We have audited the annual accounts of MRE-III-Proyecto Cinco, SOCIMI, S.A. (the "Company"), which comprise the balance sheet at 31 December 2018, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 2 to the accompanying annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the annual accounts in Spain pursuant to the legislation regulating the audit of accounts. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

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



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Most Relevant Aspects of the Audit

The most relevant aspects of the audit are those that, in our professional judgement, have been considered as the most significant risks of material misstatement in the audit of the annual accounts of the current period. These risks 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 risks.

Valuation of investment property and inventories (see notes 2.3, 4.c, 5 and 8)

The Company holds a significant amount of its assets in investment property and inventories corresponding to real estate property, part of which will be destined for lease to obtain revenues and the other part earmarked for sale. The Company assesses investment property and inventories annually for indications of impairment, for the purpose of determining whether their carrying amount exceeds their recoverable amount. The recoverable amount of real estate property is determined by an appraisal performed by an independent expert.

In this regard, this amount is calculated by applying valuation techniques which often require the exercise of judgement by the independent expert and the Directors, as well as the use of assumptions and estimates. Due to the high level of judgement, the uncertainty associated with these estimates and the significance of the carrying amount of the investment property and inventories, this has been considered a relevant aspect of our audit.

Our audit procedures included evaluating the design and implementation of key controls related to the investment property and inventories valuation process, as well as assessing the methodology and criteria applied in the preparation of the valuation used in this process, for which purpose we have involved our valuation specialists. We also assessed whether the information disclosed in the annual accounts meets the requirements of the financial reporting framework applicable to the Company.

Other Information: Directors' Report

Other information solely comprises the 2018 directors' report, the preparation of which is the responsibility of the Company's Directors and which does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not encompass the directors' report. Our responsibility for the directors' report, in accordance with the requirements of prevailing legislation regulating the audit of accounts, consists of assessing and reporting on the consistency of the directors' report with the annual accounts, based on knowledge of the entity obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. It is also our responsibility to assess and report on whether the content and presentation of the directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.



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Based on the work carried out, as described in the preceding paragraph, the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2018 and the content and presentation of the report are in accordance with applicable legislation.

Directors' Responsibility for the Annual Accounts

The Directors are responsible for the preparation of the accompanying annual accounts in such a way that they give a true and fair view of the equity, financial position and financial performance of the Company in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Directors are responsible for assessing the Company's ability to continue as a going concern, 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 have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Annual Accounts

Our objectives are to obtain reasonable assurance about whether the 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 prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 the Directors.



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- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, 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 are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's 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 annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

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.

From the significant risks communicated to the Directors of MRE-III-Proyecto Cinco, SOCIMI, S.A. we determine those that were of most significance in the audit of the annual accounts of the current period and which are therefore the most significant risks.

We describe these risks in our auditor's report unless law or regulation precludes public disclosure about the matter.

KPMG Auditores, S.L.
On the Spanish Official Register of
Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

Joan Manuel Plà Hernández
On the Spanish Official Register of Auditors ("ROAC") with No. 20,531

23 April 2019

MRE-III-PROYECTO CINCO, SOCIMI, S.A.

Balance Sheets

31 December 2018 and 2017

(Expressed in Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

<i>Assets</i>	<i>Note</i>	<i>2018</i>	<i>2017</i>
Intangible assets	Note 5	850.00	850.00
Patents, licences, trademarks and similar rights		850.00	850.00
Investment property	Note 5	28,740,670.48	33,923,619.58
Investments in adaptation and advances		28,740,670.48	33,923,619.58
Non-current investments	Note 9	-	5,000.00
Other financial assets		-	5,000.00
Total non-current assets		28,741,520.48	33,929,469.58
Inventories	Note 8	9,449,016.53	-
Developments in progress		9,449,016.53	-
Trade and other receivables	Note 10	491,835.38	196,028.23
Personnel		6,000.00	6,000.00
Public entities, other	Note 15	485,835.38	190,028.23
Current investments	Note 10	55,814.55	3,252.55
Other financial assets		55,814.55	3,252.55
Prepayments for current assets		4,776.82	4,057.60
Cash and cash equivalents		1,215,443.36	25,949.16
Cash		1,215,443.36	25,949.16
Total current assets		11,216,886.64	229,287.54
Total assets		39,958,407.12	34,158,757.12

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

MRE-III-PROYECTO CINCO, SOCIMI, S.A.

Balance Sheets

31 December 2018 and 2017

(Expressed in Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

<i>Equity and Liabilities</i>	<i>Note</i>	<i>2018</i>	<i>2017</i>
Capital and reserves	Note 11	35,310,927.93	14,455,756.24
Capital			
Registered capital		36,725,000.00	15,000,000.00
Prior years' losses		(544,243.76)	(1,595.39)
Loss for the year		(869,828.31)	(542,648.37)
Total equity		35,310,927.93	14,455,756.24
Non-current payables	Note 13	3,375,000.00	5,000.00
Payables		3,375,000.00	-
Other financial liabilities		-	5,000.00
Total non-current liabilities		3,375,000.00	5,000.00
Current payables	Note 13	1,082,772.14	13,949,253.36
Other financial liabilities		1,082,772.14	13,949,253.36
Group companies and associates, current	Note 13	-	5,467,106.67
Trade and other payables	Note 13	189,707.05	281,640.85
Suppliers, Group companies and associates, current		58,193.44	69,587.10
Other payables		89,505.07	193,670.65
Public entities, other	Note 15	42,008.54	17,335.82
Advances from customers		-	1,047.28
Total current liabilities		1,272,479.19	19,698,000.88
Total equity and liabilities		39,958,407.12	34,158,757.12

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

MRE-III-PROYECTO CINCO, SOCIMI, S.A.

Income Statements
for the years ended

31 December 2018 and 2017

(Expressed in Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	<i>Note</i>	<i>2018</i>	<i>2017</i>
Revenues	Note 18	24,804.00	5,512.00
Services rendered		24,804.00	5,512.00
Changes in inventories of finished goods and work in progress.	Note 8	759,741.71	-
Supplies	Note 18	(759,741.71)	-
Merchandise used		(759,741.71)	-
Personnel expenses	Note 18	(289,019.71)	(73,995.76)
Salaries and wages		(260,449.91)	(64,527.76)
Employee benefits expense		(28,569.80)	(9,468.00)
Other operating expenses	Note 18	(610,689.76)	(248,251.31)
External services		(572,662.71)	(246,991.31)
Taxes		(38,027.05)	(1,260.00)
Other income/(expenses)		3,440.08	-
Results from operating activities		(871,465.39)	(316,735.07)
Finance costs		(260,558.86)	(225,913.30)
Group companies and associates		(58,372.22)	(77,106.67)
Other		(202,186.64)	(148,806.63)
Finance income		1,637.72	-
Other		1,637.72	-
Other finance income		260,558.86	-
Capitalised borrowing costs	(Notes 5 & 8)	260,558.86	-
Net finance cost/income		1,637.72	(225,913.30)
Loss before income tax		(869,827.67)	(542,648.37)
Income tax	Note 15	-	-
Loss for the year		(869,827.67)	(542,648.37)

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

MRE-III-PROYECTO CINCO, SOCIMI, S.A.

**Statement of Changes in Equity
for the years ended
31 December 2018 and 2017**

**A) Statements of Recognised Income and Expense
for the years ended
31 December 2018 and 2017**

(Expressed in Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	<i>2018</i>	<i>2017</i>
Loss for the year	(869,827.67)	(542,648.37)
Total recognised income and expense	(869,827.67)	(542,648.37)

MRE-III-PROYECTO CINCO, SOCIMI, S.A.
Statement of Changes in Equity
for the years ended
31 December 2018 and 2017
Statements of Total Changes in Equity for the years ended
31 December 2018 and 2017

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Registered capital	Prior years' profit and loss	Loss for the year	Total
Balance at 31 December 2017	15,000,000.00	(1,595.39)	(542,648.37)	14,455,756.24
Recognised income and expense	-	-	(869,828.31)	(869,828.31)
Transactions with shareholders or owners				
Capital increases	21,725,000.00	-	-	21,725,000
		Note 11		
Other changes in equity				
Application of loss for the year	-	(542,648.37)	542,648.37	-
Balance at 31 December 2018	36,725,000.00	(544,243.76)	(869,828.31)	35,310,927.93

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

MRE-III-PROYECTO CINCO, SOCIMI, S.A.

**Statement of Changes in Equity
for the years ended
31 December 2018 and 2017**

**Statements of Total Changes in Equity for the years ended
31 December 2018 and 2017**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Registered capital	Prior years' profit and loss	Loss for the year	Total
Balance at 31 December 2016	10,000.00	-	(1,595.39)	8,404.61
Recognised income and expense	-	-	(542,648.37)	(542,648.37)
Transactions with shareholders or owners				
Capital increases	14,990,000.00	-	-	14,990,000.00
Other changes in equity				
Application of loss for the year	-	(1,595.39)	1,595.39	-
Balance at 31 December 2017	15,000,000.00	(1,595.39)	(542,648.37)	14,455,756.24

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

MRE-III-PROYECTO CINCO, SOCIMI, S.A.

Statement of Cash Flows
for the year ended
31 December 2018

(Expressed in Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	<i>Note</i>	<i>2018</i>	<i>2017</i>
<i>Cash flows from operating activities</i>			
Loss for the year before tax		(869,828.31)	(542,648.37)
Adjustments for:			
Finance costs		260,558.86	225,913.30
Finance income and other		(262,196.58)	-
Other income and expenses		(719.22)	(4,057.60)
Changes in operating assets and liabilities			
Inventories		(841,239.87)	-
Trade and other receivables		(295,807.15)	(196,028.23)
Trade and other payables		(91,933.80)	280,054.10
Other cash flows from operating activities			
Interest paid		(77,106.67)	-
Interest received		1,637.72	-
Cash flows used in operating activities		(2,176,635.02)	(236,766.80)
<i>Cash flows from investing activities</i>			
Payments for/proceeds from investments			
Intangible assets	Note 5	-	(850.00)
Investment property	Note 5	(16,291,308.78)	(16,773,172.85)
Other financial assets	Note 9	(47,562.00)	(8,252.55)
Cash flows used in investing activities		(16,338,870.78)	(16,782,275.40)
<i>Cash flows from financing activities</i>			
Proceeds from and payments for equity instruments			
Capital increase	Note 10	21,725,000.00	11,640,000.00
Proceeds from and payments for financial liability instruments			
Issue			
Group companies and associates		-	5,390,000.00
Other payables	Note 12	3,375,000.00	5,000.00
Redemption			
Group companies and associates		(5,390,000.00)	-
Other payables		(5,000.00)	-
Cash flows from financing activities		19,705,000.00	17,035,000.00
Net increase in cash and cash equivalents		1,189,494.20	15,957.80
Cash and cash equivalents at beginning of year		25,949.16	9,991.36
Cash and cash equivalents at year end		1,215,443.36	25,949.16

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

MRE-III-PROYECTO CINCO, SOCIMI, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(1) Nature and Activities of the Company and Composition of the Group

MRE-III-Proyecto Cinco, SOCIMI, S.A. (hereinafter the Company) was incorporated as a solely-owned private limited liability company in Barcelona on 9 August 2016. The Company became a public limited company by deed on 12 June 2017. On 27 October 2017 the Company ceased to be solely-owned as a result of the capital increase through a non-monetary contribution. The Company's registered office is located at Avenida Diagonal, 640, Barcelona. The Company's statutory activity is mainly the acquisition of urban real estate for lease. During 2017 10 sale and purchase agreements were signed in relation to a urban complex (hereinafter Suelo 22@), in the middle of calle Ávila, calle Doctor Trueta, calle Badajoz and Avenida Icaria, in the 22@ district in Barcelona, one of the new business areas in the city. This complex is being demolished partly for the development of buildings earmarked for lease and partly for buildings destined for sale. It is estimated that this development will start within three years of the acquisition date.

SOCIMI (Spanish REIT), Law 11/2009

On 12 July 2017 the Company requested from the Spanish taxation authorities that it be included in the special tax regime for SOCIMI (Spanish real estate investment trusts - REIT), regulated by Law 11/2009 of 26 October 2009 governing SOCIMI. The request to be included in this tax regime was approved by the Company's shareholders on 12 July 2017.

The Company's statutory activities fall within the statutory activities required of SOCIMI in article 2 of Law 11/2009 of 26 October 2009 governing SOCIMI.

Article 3 of Law 11/2009 also lays down the following investment requirements:

1. SOCIMI must have invested at least 80% of the value of their assets in urban real estate earmarked for lease, in land for real estate development to be earmarked for that purpose, provided that development begins within three years following its acquisition, and in capital or equity investments in other companies that also acquire and develop urban real estate for lease.

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 set forth in article 42 of the Spanish Code of Commerce, regardless of its place of residence and of the obligation to prepare consolidated annual accounts. Such a group must be composed exclusively of SOCIMI and the other entities referred to in article 2.1 of this Law (companies the principal statutory activities of which are the acquisition and development of urban real estate for lease). The aforementioned percentage was not met at 31 December 2018. However, as stipulated by applicable legislation, the Company has a period of two years from the option date to apply this regime (until July 2019).

2. Furthermore, at least 80% of the rental income from the tax period corresponding to each year, excluding the rental income deriving from the transfer of the interests and conveyance of the real estate earmarked by the company to achieve its principal statutory activity, once the holding period referred to below has elapsed, should be obtained:
 - (a) from the lease of real estate earmarked for the purpose of complying with the principal statutory activity to persons or entities with which none of the circumstances set forth in article 42 of the Spanish Code of Commerce arise, irrespective of their place of residence; and/or
 - (b) from dividends or shares in profit from investments held to comply with the principal statutory activity.

MRE-III-PROYECTO CINCO, SOCIMI, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

This percentage must be calculated on the basis of the consolidated profit or loss if the company is the parent of a group, in accordance with the criteria set forth in article 42 of the Spanish Code of Commerce, regardless of its place of residence and of the obligation to prepare consolidated annual accounts. Such a group must be composed exclusively of SOCIMI and the other entities referred to in article 2.1 of this Law. This percentage was met at 31 December 2018.

3. The real estate included in the company's assets should remain leased for at least three years. The period of time during which the real estate has been available for lease, up to a maximum of one year, shall be included for calculation purposes.

The period shall be calculated as follows:

- (a) For real estate included in the company's assets before the company applies the regime, from the beginning of the first tax period in which the special tax regime stipulated in this law applies, provided that at that date, the asset is leased or made available for lease. Otherwise the following shall apply.
- (b) For real estate developed or acquired subsequently by the company, from the date on which they were leased or put up for lease for the first time.

In the case of shares or capital interests in the entities referred to in article 2.1 of this Law, they should be retained under assets on the company's balance sheet for at least three years following their acquisition or, as appropriate, from the beginning of the first tax period in which the special tax regime set forth in this law applies.

Articles 4 and 5 of Law 11/2009 also set out the following requirements:

1. Throughout the entire tax period, SOCIMI shares must be continuously admitted to trading on a regulated market or on a multilateral trading facility in Spain, any other European Union Member State or the European Economic Area, or on a regulated market in any country or territory with which there is an effective exchange of tax information. Although this requirement still has to be met, the Company is still within the timeframe to do so.

SOCIMI shares must be registered shares.

2. SOCIMI must have minimum share capital of Euros 5 million, which the Company has exceeded; this requirement has therefore been met.

Non-monetary contributions for capital formation or increase in the form of real estate must be appraised when they are contributed in accordance with article 38 of the revised Spanish Companies Act and, to this end, the independent appraiser appointed by the Mercantile Registrar must be one of the appraisal companies set forth in mortgage market legislation. Non-monetary contributions made in real estate for capital formation or increase in the entities indicated in article 2.1 c) of this Law must be appraised by one of the aforementioned appraisal companies.

There must only be one class of shares. The Company has met this requirement, as indicated in note 11.

If the company chooses to apply the special tax regime set forth in this law, its company name must include the words "Sociedad Cotizada de Inversión en el Mercado Inmobiliario, Sociedad Anónima" or the abbreviation thereof, "SOCIMI, S.A.".

MRE-III-PROYECTO CINCO, SOCIMI, S.A.**Notes to the Annual Accounts**

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The Company meets this requirement.

4. Also, as described in article 6 of Law 11/2009 of 26 October 2009 governing SOCIMI, SOCIMI and the entities resident in Spain in which they hold investments that have opted to apply the special tax regime set out by this Law shall be required to distribute the profit for the year to shareholders in the form of dividends, once the related mercantile obligations have been met. The distribution of dividends must be approved within six months of each year end as follows:
- 100% of the profit arising from dividends or shares of profits distributed by the entities subject to this regime.
 - 50% of the profit arising from the conveyance of real estate and transfer of shares or investments performed once the time periods stipulated in the investment requirements have elapsed must be distributed in full. The remaining profit must be reinvested within three years from the conveyance/transfer date. If the reinvestment does not take place, the remaining 50% will be distributed.
 - At least 80% of the remaining profit generated.

The Company incurred losses during 2016 and 2017 and, therefore, it was not necessary to distribute dividends for these years in accordance with article 6 of Law 11/2009 of 26 October 2009 governing SOCIMI. At 31 December 2018 the Company continues to incur losses and therefore no dividends will be distributed.

As stipulated in Transitional Provision One of Law 11/2009 of 26 October 2009 governing SOCIMI, the Company may opt to apply the special tax regime under the terms set out in article 8 of this Law, even though it does not meet the requirements set out therein, provided that such requirements are met within two years of the date on which it opts to apply the aforementioned regime.

At 31 December 2018 the Company fails to meet the following requirements set out by Law 11/2009 of 26 October 2009 governing SOCIMI:

- Listing on a regulated market or in a multilateral trading system.
- The obligation to have invested at least 80% of the value of its real estate assets to be earmarked for lease, in land for real estate development to be earmarked for that purpose, and in capital or equity investments in other companies that also acquire and develop urban real estate for lease. In this regard, the Company's board of directors considers that this requirement will be met within the two-year period permitted by this Law.

A failure to meet this condition would require the Company to file income tax returns under the general tax regime from the tax period in which the aforementioned condition was not met, unless this situation were redressed in the following tax period. The Company would also be obliged to pay, together with the amount relating to the aforementioned tax period, the difference between the amount of tax payable under the general tax regime and the amount paid under the special tax regime in the previous tax periods, including any applicable late payment interest, surcharges and penalties.

MRE-III-PROYECTO CINCO, SOCIMI, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(2) Basis of Presentation**(a) True and fair view**

The annual accounts have been prepared on the basis of the accounting records of MRE-III-Proyecto Cinco, SOCIMI, S.A. in accordance with prevailing legislation and the Spanish General Chart of Accounts to give a true and fair view of the equity and financial position at 31 December 2018 and results of operations, changes in equity, and cash flows for the year then ended.

The directors consider that the annual accounts for 2018, authorised for issue on 29 March 2019, will be approved with no changes by the shareholders at their annual general meeting.

(b) Comparative information

The balance sheet, income statement, statement of changes in equity, statement of cash flows and the notes thereto for 2018 include comparative figures for 2017, which formed part of the annual accounts approved by the sole shareholder on 29 June 2018.

(c) Functional and presentation currency

The figures disclosed in the annual accounts are expressed in Euros, the Company's functional and presentation currency.

(d) Critical issues regarding the valuation and estimation of relevant uncertainties and judgements used when applying accounting principles

Relevant accounting estimates and judgements and other estimates and assumptions have to be made when applying the Company's accounting principles to prepare the annual accounts. A summary of the items requiring a greater degree of judgement or which are more complex, is as follows:

Estimating the useful life of investment property requires a high degree of judgement by management, based on historical experience and on the analysis carried out by the Company's technically qualified personnel.

- The recoverable amount of investment property and inventories based on appraisals made by independent experts.

Although estimates are calculated by the Company based on the best information available at 31 December 2018, future events may require changes to these estimates in subsequent years. Any effect of adjustments to be made in subsequent years would be recognised prospectively.

MRE-III-PROYECTO CINCO, SOCIMI, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(3) Application of Losses

The application of the loss for the year ended 31 December 2017, proposed by the directors and approved by the shareholders at their annual general meeting held on 29 June 2018, was to carry forward the full amount as prior years' losses, as follows:

	<u>Euros</u>
Basis of allocation	
Loss for the year	<u>(542,648.37)</u>
Application	
Prior years' losses	<u>(542,648.37)</u>

The proposed application of the Company's 2018 loss to be submitted to the shareholders is as follows:

	<u>Euros</u>
Basis of allocation	
Loss for the year	<u>(869,828.31)</u>
Application	
Prior years' losses	<u>(869,828.31)</u>

(4) Significant Accounting Policies**(a) Foreign currency transactions, balances and cash flows**

Foreign currency transactions are translated into Euros using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the reporting date. Exchange gains and losses arising from this process, as well as those arising from the write off of balances from foreign currency transactions, as recognised in the income statement as income or expense, where applicable, when they arise.

In the statement of cash flows, cash flows from foreign currency transactions have been translated into Euros at the exchange rates at the dates the cash flows occur.

The effect of exchange rate fluctuations on cash and cash equivalents denominated in foreign currencies is recognised separately in the statement of cash flows as effect of exchange rate fluctuations.

(b) Intangible assets

Intangible assets are measured at cost of acquisition or production, using the same criteria as for determining the cost of production of inventories. Intangible assets are carried at cost, less any accumulated amortisation and impairment.

MRE-III-PROYECTO CINCO, SOCIMI, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(i) Subsequent costs

Subsequent costs incurred on intangible assets are recognised in profit and loss, unless they increase the expected future economic benefits attributable to the intangible asset.

(ii) Useful life and amortisation rates

The Company assesses whether the useful life of each intangible asset acquired is finite or indefinite. An intangible asset is regarded by the Company as having an indefinite useful life when there is no foreseeable limit to the period over which the asset will generate net cash inflows.

Intangible assets with indefinite useful lives are not amortised, but are instead tested for impairment on an annual basis or whenever there is an indication that the intangible asset may be impaired. The Company assesses whether the useful life of each intangible asset acquired is finite or indefinite. An intangible asset is regarded by the Company as having an indefinite useful life when there is no foreseeable limit to the period over which the asset will generate net cash inflows.

(iii) Impairment losses

The Company measures and determines impairment of intangible assets to be recognised or reversed. See note 4.(d) Impairment of non-financial assets subject to amortisation or depreciation

(c) Investment property

Investment property comprises property, including that which is under construction or being developed, which is earmarked totally or partially to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business.

Buildings that are being constructed or developed for future use as investment property are classified as Investment property - Investments in adaptation and advances, until they are completed. Nevertheless, redevelopment work to extend or improve property is classified as investment property.

Investment property is initially measured at cost or cost of production. The purchase price comprises the amount invoiced by the seller, after deduction of any discounts, rebates or other similar items, such as interest incorporated into the nominal amount, plus any additional costs incurred to bring the goods to a saleable condition and other costs directly attributable to the acquisition. After initial recognition assets are depreciated and, where applicable, are subject to impairment.

Advances on account of investment property are initially measured at cost. In subsequent years, advances accrue interest at the Company's incremental borrowing rate when the period between payment and the receipt of the asset exceeds one year.

The acquisition cost of assets fully or partially acquired in exchange for contingent consideration includes the best estimate of the present value of the aforementioned consideration. Changes to the estimates of the contingent consideration are recognised as an adjustment to the value of the assets. Changes related to variables such as interest rates or the Consumer Price Index are treated as an adjustment to the effective interest rate.

MRE-III-PROYECTO CINCO, SOCIMI, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Investment property is depreciated by allocating the depreciable amount of the asset on a systematic basis over its useful life. The depreciable amount is the cost of an asset, less its residual value. The Company determines the depreciation expense separately for each component, which has a significant cost in relation to the total cost of the item and a useful life different to the rest of the item. In this regard, items which due to their characteristics are depreciated between 5 and 10 years are recorded under Buildings, in addition to those items which are purely buildings which are indicated in the following point.

Investment property is depreciated applying the following policies:

	Depreciation method	Estimated years of useful life
Buildings	Straight-line	50

(d) Impairment of non-financial assets subject to amortisation or depreciation

The Company evaluates whether there are indications of possible impairment losses on non-financial assets subject to amortisation or depreciation to verify whether the carrying amount of these assets exceeds the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use. This analysis is based on appraisals and valuations at the reporting date made by independent experts in January 2019. The main methodology used to determine the market value of the Company's investment property in 2018 and 2017 is the discounted cash flow method.

Impairment losses, where applicable, are recognised in the income statement.

At the end of each reporting period the Company assesses whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. Impairment losses are only reversed if there has been a change in the estimates used to calculate the recoverable amount of the asset.

A reversal of an impairment loss is recognised in the income statement. The increased carrying amount of an asset attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised.

After an impairment loss or reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the asset is adjusted in future periods based on its new carrying amount.

(e) Leases

(i) Lessor accounting

Leases which transfer to third parties substantially all the risks and rewards incidental to ownership of the assets are classified as finance leases. Otherwise they are classified as operating leases.

Operating leases

Assets leased to third parties under operating lease contracts are presented according to their nature, applying the accounting policies set out in Investment property.

MRE-III-PROYECTO CINCO, SOCIMI, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Operating lease income, net of incentives granted, is recognised in income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefits deriving from the leased asset are diminished.

Initial direct costs are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Contingent rents are recognised as income when it is probable that they will be obtained, which is generally when the conditions agreed in the contract arise.

(f) Financial instruments

(i) Classification and separation of financial instruments

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument.

For measurement purposes, financial instruments are classified under financial assets and financial liabilities held for trading, financial assets and financial liabilities at fair value through profit or loss, loans and receivables, investments held to maturity, available-for-sale financial assets and financial liabilities at amortised cost. Financial instruments are classified into the above categories based on their nature and management's intentions on initial recognition.

(ii) Own equity instruments

As described in note 1 to the annual accounts, pursuant to article 6 of Law 11/2009 of 26 October 2009 governing SOCIMI, SOCIMI and the entities resident in Spain in which they hold interests that have opted to apply the special tax regime set out by this Law shall be required to distribute the profit for the year to shareholders in the form of dividends, once the related mercantile obligations have been met. The distribution of dividends must be approved within six months of each year end.

The aforementioned obligation to distribute profits is understood to derive from a legal and non-contractual obligation and from opting voluntarily to apply a special tax regime. This is a self-imposed legal obligation and therefore the definition of financial liability is not met and the equity instruments issued by the Parent are classified as equity instruments. Likewise, the distribution of profits is recognised as a reduction in equity when legally enforceable.

(iii) Offsetting principles

A financial asset and a financial liability are offset only when the Company currently has the legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iv) Loans and receivables

Loans and receivables comprise trade and non-trade receivables with fixed or determinable payments that are not quoted in an active market other than those classified in other financial asset categories. These assets are initially recognised at fair value, including transaction costs, and are subsequently measured at amortised cost using the effective interest method.

MRE-III-PROYECTO CINCO, SOCIMI, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Nevertheless, financial assets included in this category which have no established interest rate, which mature or are expected to be received in the short term, and for which the effect of discounting is immaterial, are measured at their nominal amount.

(v) Amortised cost

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured upon initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the amount receivable/payable on maturity, and minus any reduction for impairment or uncollectibility.

(vi) Fair value

Fair value is the amount for which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

(vii) Impairment and uncollectibility of financial assets

A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and the event or events have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Company considers there is objective evidence of impairment of loans and receivables and debt instruments when a reduction or delay is incurred in the estimated future cash flows, which could be due to debtor insolvency.

(viii) Financial liabilities

Financial liabilities, including trade and other payables, that are not classified as held for trading or as financial liabilities at fair value through profit or loss are initially recognised at fair value less any transaction costs directly attributable to the issue of the financial liability. After initial recognition, liabilities classified under this category are measured at amortised cost using the effective interest method.

Nevertheless, financial liabilities which have no established interest rate, which mature or are expected to be settled in the short term, and for which the effect of discounting is immaterial, are measured at their nominal amount.

(ix) Derecognition and modifications of financial assets and financial liabilities

The Company derecognises a financial asset, or a part of a financial asset, when the contractual rights to the cash flows from the financial asset expire or have been transferred, provided that substantially all the risks and rewards of ownership have been transferred.

MRE-III-PROYECTO CINCO, SOCIMI, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

The Company derecognises all or part of a financial liability when it either discharges the liability by paying the creditor, or is legally released from primary responsibility for the liability either by process of law or by the creditor.

(g) Inventories

Inventories, principally including developments in progress which are all earmarked for sale, are measured at price of acquisition or construction.

Inventories that need a period of more than one year to be officially approved include finance costs accrued prior to becoming available for sale and directly attributable in the acquisition or construction.

Capitalisation of finance costs is suspended in the event construction is interrupted.

Finished developments: these are measured based on the costs incurred in the real estate developments. These costs include those directly applicable to construction that have been approved by the technicians in charge of managing the works, expenses associated with promotion and finance costs incurred during the construction period.

Building plots and land are measured at their acquisition price, including the costs directly associated with the purchase. The value of land and building plots includes the cost of urban development, the project and planning until the refurbishment works are completed.

The Company recognises impairment in those cases where the recoverable amount is lower than the amount recognised, or where there are doubts regarding recoverability. This analysis is made based on appraisals and valuations made by independent experts in January 2019.

(h) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits in financial institutions. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(i) Provisions

Provisions are recognised when the Company has a present obligation (legal, contractual, constructive or tacit) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

If it is not probable that an outflow of resources will be required to settle an obligation, the provision is reversed. The financial effect of provisions is recognised as a finance cost in the income statement.

(j) Revenue from the sale of goods and rendering of services

The Group recognises revenue based on the economic substance of the transaction.

Revenue is recognised when it is probable that the economic benefits or returns associated with the transaction will flow to the Company, and the amount of revenue can be measured reliably.

Revenue from the sale of goods or services is measured at the fair value of the consideration received or receivable.

MRE-III-PROYECTO CINCO, SOCIMI, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(i) Services rendered

Revenues associated with the rendering of services are recognised in the income statement by reference to the stage of completion at the reporting date when revenues, the stage of completion, the costs incurred and the costs to complete the transaction can be estimated reliably and it is probable that the economic benefits derived from the transaction will flow to the Company. In this regard, the Company's main services consist of lease revenues, as described in note 4(e) above.

(k) Income tax

The income tax expense or tax income for the year comprises current tax and deferred tax.

Current tax assets or liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Current and deferred tax are recognised as income or an expense and included in profit or loss for the year, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, directly in equity, or from a business combination.

Government assistance provided in the form of deductions and other tax relief applicable to income tax payable are recognised as a reduction in the income tax expense for the year in which it is accrued.

As described in note 1, the Company adheres to the tax regime for SOCIMI regulated by Law 11/2009 of 26 October 2009 governing SOCIMI. In compliance with certain requirements set out by this Law, the Company is subject to an income tax rate of 0%. The requirements to be met are set out in the section "SOCIMI (Spanish REIT), Law 11/2009" of note 1. Article 10 of this Law also regulates the special tax regime for shareholders and especially dividends on account of profits or reserves to which the special tax regime set forth in this Law has been applied, as well as the income obtained from the transfer or reimbursement of the investment in capital of the companies which have opted to apply this regime.

The board of directors monitors compliance with the requirements stipulated in this Law, for the purpose of maintaining the aforementioned special tax regime. It estimates that these requirements will be met in the terms and conditions stipulated and income tax for the year will be recognised.

(i) Taxable temporary differences

Taxable temporary differences are recognised in all cases except where:

- They arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.
- They are associated with investments in subsidiaries, associates, jointly controlled entities and interests in joint ventures over which the Company is able to control the timing of the reversal of the temporary difference and it is not probable that the difference will reverse in the foreseeable future.

MRE-III-PROYECTO CINCO, SOCIMI, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(ii) Recognition of deductible temporary differences, tax credits and tax loss carryforwards

The Company recognises the corresponding deferred tax assets for all deductible temporary differences, unused tax credits and tax loss carryforwards available for offset provided that it is likely that the Company will generate sufficient taxable income in the future to apply these assets.

The Company does not recognise any deferred tax assets for those deductible temporary differences which:

- Arise from the initial recognition of assets or liabilities in a transaction that is not a business combination and, at the time of the transaction, affect neither accounting profit nor taxable income.
- Correspond to the temporary differences associated with investments in subsidiaries and interests in joint ventures that will reverse in the foreseeable future and sufficient taxable income is expected to be generated against which the temporary differences can be offset.

(iii) Measurement

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the years when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted. The tax consequences that would follow from the manner in which the Company expects to recover or settle the carrying amount of its assets or liabilities are also reflected in the measurement of deferred tax assets and liabilities.

(iv) Offset and classification

The Company only offsets tax assets and liabilities if it has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Deferred tax assets and liabilities are recognised in the balance sheet under non-current assets or liabilities, irrespective of the expected date of recovery or settlement.

(I) Classification of assets and liabilities as current and non-current

The Company classifies assets and liabilities in the balance sheet as current and non-current. Current assets and liabilities are determined as follows:

- Assets are classified as current when they are expected to be realised or are intended for sale or consumption in the Company's normal operating cycle, they are held primarily for the purpose of trading, they are expected to be realised within 12 months after the reporting date or are cash or a cash equivalent, unless the assets may not be exchanged or used to settle a liability for at least 12 months after the reporting date.
- Liabilities are classified as current when they are expected to be settled in the Company's normal operating cycle, they are held primarily for the purpose of trading or they are due to be settled within 12 months after the reporting date.
- Financial liabilities are classified as current when they are due to be settled within 12 months after the reporting date, even if the original term was for a period longer than 12 months, and an agreement to refinance or to reschedule payments on a long-term basis is completed after the reporting date and before the annual accounts are authorised for issue.

MRE-III-PROYECTO CINCO, SOCIMI, S.A.

Notes to the Annual Accounts

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(m) Environmental issues

The Company takes measures to prevent, reduce or repair the damage caused to the environment by its activities.

Expenses derived from environmental activities are recognised as other operating expenses in the period in which they are incurred.

(n) Transactions between Group and related companies

Transactions between Group and related companies, except those related to mergers, spin-offs and non-monetary contributions, are recognised at the fair value of the consideration given or received. The difference between this value and the amount agreed is recognised in line with the underlying economic substance of the transaction.

(5) Intangible Assets and Investment Property

Details of intangible assets and movement are as follows:

Description	Euros 2018	
	Patents, licences, trademarks and similar rights	Total
Cost at 1 January 2018	850.00	850.00
Cost at 31 December 2018	850.00	850.00
Carrying amount at 31 December 2018	850.00	850.00

Description	Euros 2017	
	Patents, licences, trademarks and similar rights	Total
Cost at 1 January 2017	-	-
Additions	850.00	850.00
Cost at 31 December 2017	850.00	850.00
Carrying amount at 31 December 2017	850.00	850.00

MRE-III-PROYECTO CINCO, SOCIMI, S.A.

Notes to the Annual Accounts

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Details of investment property and movement during the year are as follows:

Description	Euros	
	2018	
	Adaptation and advances	Total
Cost at 1 January 2018	33,923,619.58	33,923,619.58
Additions	3,424,827.56	3,424,827.56
Transfers (note 8)	(8,607,776.66)	(8,607,776.66)
Cost at 31 December 2018	28,740,670.48	28,740,670.48
Carrying amount at 31 December 2018	28,740,670.48	28,740,670.48

Description	Euros	
	2017	
	Adaptation and advances	Total
Cost at 1 January 2017	-	-
Additions	33,923,619.58	33,923,619.58
Cost at 31 December 2017	33,923,619.58	33,923,619.58
Carrying amount at 31 December 2017	33,923,619.58	33,923,619.58

In July and August 2017 the Company acquired various buildings located in the 22@ district in Barcelona for an amount of Euros 27,600,893.46. A portion of the payment of these purchases amounting to Euros 13,949,253.36 was deferred until July, August and September 2018; the impact of discounting these deferred payments totals Euros 350,993.27 thousand, which lowered the cost of purchase of these properties. At 31 December 2018 this deferred payment has been fully settled (see note 13). The aforementioned sale and purchase deeds set potential price adjustments (upward only) in the event that the subdivision project results in the lower amount of land conveyed to the public authorities than established at the date of purchase, which would result in an increase in the square metres of the roof surface. On 22 November 2018 the "Urban Improvements Plan for District 22@A" was approved and therefore the subdivision plan which affects the properties acquired by the Company. Consequently, as set out in the sale and purchase agreement for these properties, the Company recognised a price adjustment of Euros 323,796.32 (see note 13 b).

In addition, in October 2017 the Company acquired certain buildings located in the 22@ district in Barcelona for an amount of Euros 2,416,960.00. Furthermore, capital was increased by Euros 3,350,000 thousand, as executed in a public deed on 27 October 2017, through a non-monetary contribution of a percentage of a property located in the 22@ district of Barcelona.

On 9 February 2018 the Company acquired a property located in the 22@ district for an amount of Euros 872,000.

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(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

The purpose of these properties is to demolish and refurbish the buildings on them and subsequently build various offices (for lease) and dwellings (for sale). In this connection, in 2018 the costs for demolishing the pre-existing buildings, adjusting the purchase price (see note 13b), as well as the costs for the construction project studies were capitalised for a total of Euros 2,552,827.56, of which Euros 193,074.12 correspond to capitalised finance costs. All the amounts capitalised as a result of the acquisition and adaptation of these properties are recognised under investments in adaptation and advances under investment property.

During 2018 the Company decided that the property earmarked for dwellings would be destined for sale and therefore, as a result of change in use, they have been transferred to inventories for an amount of Euros 8,607,776.66 (see note 8).

(a) Fully depreciated/amortised assets

At 31 December 2018 and 2017 the Company does not have any fully depreciated investment property or fully amortised intangible assets.

(b) Insurance

The Company has taken out insurance policies to cover the risk of damage to its investment property. The coverage of these policies is considered sufficient.

(6) Operating Leases - Lessor

At 31 December 2018 the Company has not leased any buildings from third parties. At 31 December 2017 there was only one building, the contract for which was cancelled in September 2018 as a result of the project mentioned in note 5.

(7) Risk Management Policy

(a) Financial risk factors

The Company's activities are exposed to various financial risks: market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk, and cash flow interest rate risk. The Company's global risk management programme focuses on uncertainty in the financial markets and aims to minimise potential adverse effects on the Company's profits.

Risks are managed by the Risk Management Unit in accordance with policies approved by the shareholders. This department identifies, evaluates and mitigates financial risks in close collaboration with the Company's operational units. The shareholders issue global risk management policies, as well as policies for specific issues such as interest rate risk, liquidity risk, the use of derivatives and non-derivative instruments, and investments of cash surpluses.

(i) Credit risk

The Company is not significantly exposed to credit risk.

Valuation allowances for bad debts, and the review of individual balances based on customers' credit ratings, market trends and the historical analysis of bad debts at an aggregated level require a high degree of judgement.

MRE-III-PROYECTO CINCO, SOCIMI, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(ii) Liquidity risk

The Company applies a prudent policy to cover its liquidity risks based on having sufficient cash as well as sufficient financing through credit facilities.

Details of financial assets and financial liabilities by contractual maturity date are provided in Appendices I and III.

(iii) Cash flow and fair value interest rate risks

At 31 December 2018 and 2017, the Company had no interest-bearing liabilities through a variable interest rate pegged to any index. Therefore, at those dates it was not exposed to any cash flow interest rate risk.

(8) Inventories

Details of inventories are as follows:

	Euros	
	2018	2017
Property business		
Opening balance at 1 January	-	-
Additions (note 18)	827,226.45	-
Transfers (note 5)	8,607,776.66	-
Advances to suppliers	14,013.42	-
	9,449,016.53	-

At 31 December 2018 inventories comprise developments in progress corresponding to dwellings earmarked for sale. During 2018 costs of Euros 827,226.45 have been capitalised, Euros 67,484.74 of which correspond to capitalisable finance costs and Euros 113,175.77 of which correspond to the adjusted purchase price (see note 13b). Remaining costs mainly reflect demolition costs.

(a) Insurance

The Company has taken out insurance policies to cover the risk of damage to its inventories. The coverage of these policies is considered sufficient.

MRE-III-PROYECTO CINCO, SOCIMI, S.A.

Notes to the Annual Accounts

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(9) Financial Assets by Category

(a) Classification of financial assets by category

The classification of financial assets by category and class, as well as a comparison of the fair value and the carrying amount is as follows:

	Euros			
	2018			
	Non-current		Current	
	Carrying amount	Total	Carrying amount	Total
<i>Investments</i>				
Other financial assets	-	-	55,814.55	55,814.55
<i>Loans and receivables</i>				
Personnel	-	-	6,000.00	6,000.00
Total financial assets	-	-	61,814.55	61,814.55

	Euros			
	2017			
	Non-current		Current	
	Carrying amount	Total	Carrying amount	Total
<i>Investments</i>				
Security and other deposits	5,000.00	5,000.00	-	-
Other financial assets	-	-	3,252.55	3,252.55
<i>Loans and receivables</i>				
Personnel	-	-	6,000.00	6,000.00
Total financial assets	5,000.00	5,000.00	9,252.55	9,252.55

At 31 December 2018 and 2017 the carrying amounts of financial assets do not differ significantly from their fair values.

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Notes to the Annual Accounts

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(10) Investments and Trade Receivables

(a) Investments

Details of investments are as follows:

	Euros	
	2018	
	Non-current	Current
Unrelated parties		
Security and other deposits	-	55,814.55
Total	-	55,814.55

	Euros	
	2017	
	Non-current	Current
Unrelated parties		
Security and other deposits	5,000.00	
Other financial assets	-	3,252.55
Total	5,000.00	3,252.55

At 31 December 2018 current security and other deposits reflect a deposit for the construction work being carried out in the 22@ district. The Company has no non-current security and other deposits, as on 28 September 2018 the operating lease contract, in force at 31 December 2017, was rescinded.

At 31 December 2017 the amount of Euros 5,000 reflects security deposits that the Company received from customers for the lease of spaces and for which it is under the obligation to deposit with the pertinent body (in this case INCASOL) for the buildings located in Catalonia. Non-current investments include amounts that the Group has deposited with INCASOL. On the contrary, other non-current financial liabilities comprise amounts that the Company has received from its customers for security deposits (see note 13).

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(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(b) Trade and other receivables

At 31 December 2018 and 2017 details of trade and other receivables are as follows:

	Euros	
	2018	2017
	Current	Current
<i>Unrelated parties</i>		
Personnel	6,000.00	6,000.00
Public entities, other	485,835.38	190,028.33
Total	491,835.38	196,028.33

(c) Classification by maturity

The classification of financial assets by maturity is shown in Appendix I.

(11) Equity

Details of equity and movement during the year are shown in the statement of changes in equity.

(a) Share capital

At 31 December 2017 the Company's share capital amounted to Euros 15,000,000 and was represented by 15,000,000 shares of Euros 1 par value each, subscribed and fully paid.

At 31 December 2017 share capital of Euros 50,000 was recognised, corresponding to a capital increase approved by the sole shareholder in the minutes of 3 July 2017, formalised by public deed on 12 June 2017 and entered in the Mercantile Registry on 20 July 2017.

In addition, at 31 December 2017 share capital of Euros 11,590,000 was recognised, corresponding to a capital increase approved by the sole shareholder in the minutes of 12 July 2017, formalised by public deed on 12 July 2017 and entered in the Mercantile Registry on 24 August 2017.

At 31 December 2017 share capital of Euros 3,350,000 was recognised, corresponding to a capital increase through the non-monetary contribution of a building, approved by the shareholders on 27 October 2017, formalised by public deed on 26 October 2017 and entered in the Mercantile Registry on 13 November 2017.

At an extraordinary and universal meeting held on 8 March 2018 the shareholders increased capital through a monetary contribution of Euros 4,962,500 by issuing 4,962,500 shares of Euros 1 par value each, fully subscribed and paid. The capital increase was entered in the Mercantile Registry on 14 May 2018.

At an extraordinary and universal meeting held on 14 August 2018 the shareholders increased capital again through a monetary contribution of Euros 16,762,500 by issuing 16,762,500 shares of Euros 1 par value each, fully subscribed and paid. The capital increase was entered in the Mercantile Registry on 2 October 2018.

Consequently, at 31 December 2018 the Company's share capital amounts to Euros 36,725,000 and is represented by 36,725,000 shares of Euros 1 par value each, subscribed and fully paid.

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(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Details of shareholders at 31 December 2018 and 2017 are as follows

	2018	2017
	%	%
Meridia Real Estate III Socimi, S.A.	77.60	77.67
Sucesores de W.Hoffmann, S.L.	9.54	22.33
DOF UK Meridia Holding IV Ltd	1.84	-
DOF UK Meridia Holding V Ltd	1.84	-
DREOF II UK Meridia Holding I Ltd	3.06	-
DREOF II UK Meridia Holding II Ltd	3.06	-
DREOF II UK Meridia Holding III Ltd	3.06	-
Total	100	100

(12) Financial Liabilities by Category

- (a) Classification of financial liabilities by category

A classification of financial liabilities by category and class is provided in Appendix II.

At 31 December 2018 and 2017 the carrying amount of financial liabilities does not differ significantly from their fair value.

(13) Payables and Trade Payables

- (a) Payables to Group companies, associates and related parties

Details of payables to Group companies, associates and related parties are as follows:

	Euros			
	2018		2017	
	Non-current	Current	Non-current	Current
Group				
Payables	-	-	-	5,390,000.00
Interest	-	-	-	77,106.67
Total	-	-	-	5,467,106.67

At 31 December 2017 current payables reflected a loan facility arranged with Meridia Real Estate III Socimi, S.A. on 1 April 2017, with a limit of 6,000,000.00 and accruing interest at a market rate of 4%. On 27 September 2018 the Company fully repaid the loan and interest.

MRE-III-PROYECTO CINCO, SOCIMI, S.A.

Notes to the Annual Accounts

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(b) Payables

Details of payables are as follows:

	Euros			
	2018		2017	
	Non-current	Current	Non-current	Current
Unrelated parties				
Security and other deposits	-	-	5,000.00	-
Suppliers of fixed assets	-	1,082,772.14	-	13,949,253.36
Other financial liabilities	3,375,000.00	-	-	-
Total	3,375,000.00	1,082,772.14	5,000.00	13,949,253.36

At 31 December 2018 other non-current financial liabilities reflect a Euros 3,375,000 participating loan received from Periza Industries S.á.r.l on 8 March 2018. This loan falls due on 8 March 2033. The loan will be fully repaid either at the contract end date or on a prior date if any of the circumstances stipulated in the contract arise. This loan accrues interest at a rate of 8.4% on the Company's accumulated net profit at reporting date. At 31 December 2018 no interest has been accrued as the Company has incurred losses.

At 31 December 2017 security and other deposits reflected the amount of security deposits received from the lessees of the Company's properties (see note 9).

At 31 December 2017 current fixed asset suppliers reflected the amounts payable for the acquisition of the properties described in point 5, which have been fully paid in July and October 2018.

At 31 December 2018 current fixed asset suppliers include the adjusted purchase price of Euros 436,972.09 (see note 5 and 8) and the amounts payable to providers who are carrying out the works.

(c) Other information on payables

(i) Main characteristics of payables

The terms and conditions of loans and payables are shown in Appendix IV.

MRE-III-PROYECTO CINCO, SOCIMI, S.A.

Notes to the Annual Accounts

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(d) Trade and other payables

Details of trade and other payables are as follows:

	Euros	
	2018	2017
	Current	Current
<i>Group</i>		
Meridia Real Estate III, SOCIMI, S.A.	58,193.44	69,587.10
<i>Related parties</i>		
Payables	5,133.99	16,698.12
<i>Unrelated parties</i>		
Payables	84,371.08	176,972.53
Public entities, other (note 15)	42,008.54	17,335.82
Advances	-	1,047.28
Total	189,707.05	281,640.85

(e) Classification by maturity

The classification of financial liabilities by maturity is shown in Appendix III.

(14) Average Supplier Payment Period. "Reporting Requirement". Third Additional Provision of Law 15/2010 of 5 July 2010

Details of the average supplier payment period are as follows:

	2018	2017
	Days	
Average supplier payment period	48.01	36.28
Transactions paid ratio	51.09	36.98
Transactions payable ratio	27.19	25.00
	Amount in Euros	Amount in Euros
Total payments made	2,089,705.45	847,067.76
Total payments outstanding	308,358.82	52,197.67

MRE-III-PROYECTO CINCO, SOCIMI, S.A.

Notes to the Annual Accounts

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(15) Taxation

Details of balances with public entities at 31 December 2018 and 2017 are as follows:

	Euros	
	2018	2017
	Current	Current
Assets		
Value added tax and similar taxes	485,835.38	188,980.95
Withholdings	-	1,047.28
	485,835.38	190,028.23
Liabilities		
Withholdings	42,008.54	17,335.82
	42,008.54	17,335.82

The Company has the following main applicable taxes open to inspection by the Spanish taxation authorities:

Tax	Years open to inspection
Income tax	2016 - 2017
Value added tax	2016 - 2018
Personal income tax	2016 - 2018
Tax on Economic Activities	2016 - 2018

Due to different possible interpretations of prevailing tax legislation, additional tax liabilities could arise in the event of inspection. In any case, the Company's directors do not consider that any such liabilities that could arise would have a significant effect on the annual accounts.

(a) Income tax

A reconciliation of net income and expenses for the year with the tax loss is shown in Appendix V.

The relationship between the income tax expense/(income) and accounting profit/(loss) for the year is provided in Appendix VI.

Because the tax rate is zero, the Company has not recognised the tax effect of unused tax loss carryforwards as deferred tax assets, the amounts and reversal periods of which are as follows:

Year	Euros		Term
	2018	2017	
2016	(1,595.39)	(1,595.39)	Indefinite
2017	(542,648.37)	(542,648.37)	Indefinite
2018 (provisional)	(869,827.67)	-	Indefinite

MRE-III-PROYECTO CINCO, SOCIMI, S.A.

Notes to the Annual Accounts

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(16) Environmental Information

At 31 December 2018 and 2017 the Company had no significant assets for protecting or improving the environment, nor did it incur any expenses of an environmental nature during either year.

The directors of the Company do not consider that there are any significant contingencies relating to the protection and improvement of the environment. Therefore, at 31 December 2018 and 2017 it was not considered necessary to recognise a provision for liabilities and charges of this nature.

(17) Related Party and Group Balances and Transactions

(a) Balances with the Group and related parties

Related party balances are shown in note 13.

(b) Transactions with the shareholders and related parties

The Company's transactions with related parties are as follows:

	Euros		
	Shareholders	Related parties	Total
2018			
Expenses			
Services received	179,212.50	27,033.40	206,245.90
Interest	58,372.22	-	58,372.22
Total expense	237,584.72	27,033.40	264,618.12

	Euros		
	Shareholders	Related parties	Total
2017			
Expenses			
Services received	102,568.19	21,771.72	124,339.91
Interest	77,106.67	-	77,106.67
Total expense	179,674.86	21,771.72	201,446.58

In 2018 and 2017 transactions with Group companies and related parties are those arising from project management and from the financing obtained.

(c) Information on the Company's directors and senior management personnel

In 2018 and 2017 directors of the Company have not received any remuneration, nor have they received any loans or advances, nor has the Company extended any guarantees on their behalf. The Company has no pension or life insurance obligations with its former or current directors. The Company has no senior management personnel.

The Company did not pay any public liability insurance premiums for the directors in 2018 and 2017 for damage or loss caused by actions or omissions in the performance of their duties.

MRE-III-PROYECTO CINCO, SOCIMI, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

- (d) Transactions other than ordinary business or under terms differing from market conditions carried out by the directors of the Company

In 2018 and 2017 the directors of the Company have not carried out any transactions other than ordinary business or applying terms that differ from market conditions with the Company or any other Group company.

- (e) Conflicts of interest concerning the directors

The directors of the Company and their related parties have had no conflicts of interest requiring disclosure in accordance with article 229 of the Revised Spanish Companies Act.

(18) Income and Expenses

- (a) Revenue

Details of revenues by category of activity and geographical market are as follows:

	Euros	
	2018	2017
	Domestic	Domestic
Lease income	24,804.00	5,512.00
	24,804.00	5,512.00

MRE-III-Proyecto Cinco, SOCIMI, S.A.'s revenues are mainly generated from the lease of buildings to third parties.

All services are provided in Spain.

- (b) Supplies and changes in inventories

At 31 December 2018 these entirely reflect costs capitalised in 2018 amounting to Euros 759,741.71 and recognised under inventories (see note 8). At 31 December 2017 no capitalised costs were recognised under inventories.

- (c) Employee benefits expense and provisions

Details of employee benefits expense and provisions are as follows:

	Euros	
	2018	2017
Employee benefits expense		
Social Security payable by the Company	28,569.80	9,468.00
	28,569.80	9,468.00

MRE-III-PROYECTO CINCO, SOCIMI, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(d) External services

Details of external services are as follows:

	Euros	
	2018	2017
Independent professional services	370,273.88	129,218.68
Services rendered by Group companies	179,212.50	102,568.19
Other expenses	23,176.33	15,204.44
	572,662.71	246,991.31

(e) Employee Information

At 31 December 2018 and 2017 there are two employees (a female lawyer and male asset management director). At 31 December 2018 and 2017 the Company had no employees with a disability rating equal to or higher than 33%. The average headcount at 31 December 2018 is 2 (1.25 at 31 December 2017).

(19) Audit fees

The auditor of the Company's annual accounts, and other individuals and companies related to the auditor have accrued the following fees for professional services:

	Euros	
	2018	2017
Audit services	7,500.00	7,000.00

The amounts in the above table include the total fees for services rendered in 2017 and 2018, irrespective of the date of invoice.

(20) Legislative requirements arising from status as SOCIMI, Law 11/2009

In compliance with the reporting obligations set forth in article 11 of Law 11/2009 of 26 October 2009 governing SOCIMI, the following is indicated:

Observation requirement	2018 information
a) Reserves from years prior to the application of the tax regime set forth in this Law.	There are no reserves from years prior to the application of the tax regime set forth in this Law.
b) Reserves from years in which the tax regime set forth in this Law has been applied, differentiating between the portion that comes from income subject to a 0% or 19% tax rate, and those which, where applicable, have been taxed at the general tax rate.	There are no reserves in 2018 and 2017, during which the tax regime set forth by the aforementioned Law has been applied.

MRE-III-PROYECTO CINCO, SOCIMI, S.A.

Notes to the Annual Accounts

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Observation requirement	2018 information
c) Dividends distributed with a charge to profits for each year in which the tax regime set forth by this Law has been applied, differentiating between the portion that comes from income subject to a 0% or 19% tax rate and those which, where applicable, have been taxed at the general tax rate.	The Company has incurred losses during 2016, 2017 and 2018. As a result no dividends have been or will be distributed and the information required regarding distribution of dividends as stipulated by article 11 of the aforementioned Law is not necessary.
d) In the event of dividends distributed with a charge to reserves, designation of the year from which the applied reserve originates and whether they have been taxed at a 0% or 19% tax rate or at the general tax rate.	
e) Dividend distribution agreement date referred to in sections c) and d) above.	
f) Acquisition date of the properties earmarked for lease and of shares in the capital of the entities to which article 2.1 of the above Law refers.	The Company's properties were acquired in July and August 2017 and one property was acquired in 2018.
g) Identification of the asset that qualifies as part of the 80% mentioned in article 3.1 of this Law	At 2018 reporting date, the assets computed within the 80% as described in article 4 of this Law are those relating to the development and construction of office buildings. The carrying amount of these assets at 2018 reporting date amounts to Euros 28,740,670.48. As mentioned in note 1, although this percentage is not met at 31 December 2018, the Company has a period of two years from the option date to apply this regime, as stipulated by applicable legislation. The Company expects to meet the requirements of the Law within the stipulated deadline, with regard to the investments it plans to make.
h) Reserves from years in which the special tax regime provided in this Law is applicable which have been applied in the tax period other than for the distribution thereof or to offset losses, identifying the year in which these reserves arise.	There are no reserves from years prior to the application of the tax regime set forth in this Law.

(21) Events After the Reporting Period

No significant events have occurred after the reporting period.

MRE-III-PROYECTO CINCO, SOCIMI, S.A.
Classification of financial assets by maturity
for the year ended 31 December 2018

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Euros		
	2019	Less current portion	Total non- current
<i>Investments</i>			
Other financial assets	55,814.55	(55,814.55)	-
<i>Loans and receivables</i>			
Personnel	6,000.00	(6,000.00)	-
Total	61,814.55	(61,814.55)	-

MRE-III-PROYECTO CINCO, SOCIMI, S.A.
Classification of financial assets by maturity
for the year ended 31 December 2017

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Euros			
	2018	2019	Less current portion	Total non- current
<i>Investments</i>				
Security and other deposits	-	5,000.00	-	5,000.00
Other financial assets	3,252.55	-	(3,252.55)	-
<i>Loans and receivables</i>				
Personnel	6,000.00	-	(6,000.00)	-
Total	9,252.55	5,000.00	(9,252.55)	5,000.00

MRE-III-PROYECTO CINCO, SOCIMI, S.A.**Details of Financial Liabilities by Category
for the year ended 31 December 2018**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Euros			
	Non-current		Current	
	Carrying amount	Total	Carrying amount	Total
2018				
<i>Debts and payables</i>				
Unrelated companies				
Payables	3,375,000.00	3,375,000.00	-	-
Suppliers of fixed assets	-	-	1,082,772.14	1,082,772.14
Trade and other payables				
Suppliers, Group companies and associates	-	-	63,327.43	63,327.43
Suppliers and trade payables	-	-	84,371.08	84,371.08
Total financial liabilities	3,375,000.00	3,375,000.00	1,230,470.65	1,230,470.65

MRE-III-PROYECTO CINCO, SOCIMI, S.A.**Details of Financial Liabilities by Category
for the year ended 31 December 2017**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Euros			
	Non-current		Current	
	Carrying amount	Total	Carrying amount	Total
2017				
<i>Debts and payables</i>				
Group companies and associates				
Payables	-	-	5,390,000.00	5,390,000.00
Interest			77,106.67	77,106.67
Suppliers of fixed assets	-	-	13,949,253.36	13,949,253.36
Other financial liabilities	5,000.00	5,000.00	-	-
Trade and other payables				
Suppliers, Group companies and associates	-	-	69,587.10	69,587.10
Suppliers and trade payables	-	-	193,670.65	193,670.65
Advances from customers	-	-	1,047.28	1,047.28
Total financial liabilities	5,000.00	5,000.00	19,680,665.06	19,680,665.06

This appendix forms an integral part of note 12 to the annual accounts, in conjunction with which it should be read.

MRE-III-PROYECTO CINCO SOCIMI, S.A.
Classification of Financial Liabilities by Maturity
for the year ended 31 December 2018

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

2018	Euros			
	2019	Subsequent years	Less current portion	Total non-current
Unrelated companies Payables	-	3,375,000.00	-	3,375,000.00
Suppliers of fixed assets	1,082,772.14	-	(1,082,772.14)	-
Trade and other payables				
Suppliers, Group companies and associates	63,327.43	-	(63,327.43)	-
Suppliers and trade payables	84,371.08	-	(84,371.08)	-
Total financial liabilities	(1,230,470.65)	3,375,000.00	(1,230,470.65)	3,375,000.00

This appendix forms an integral part of note 13 to the annual accounts, in conjunction with which it should be read.

MRE-III-PROYECTO CINCO, SOCIMI, S.A.
Classification of Financial Liabilities by Maturity
for the year ended 31 December 2017

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

2017	Euros			
	2018	2019	Less current portion	Total non-current
Group companies and associates				
Payables	5,390,000.00	-	(5,390,000.00)	-
Interest	77,106.67	-	(77,106.67)	-
Suppliers of fixed assets	13,949,253.36	-	(13,949,253.36)	-
Other financial liabilities	-	5,000.00	-	5,000.00
Trade and other payables				
Suppliers, Group companies and associates	69,587.10	-	(69,587.10)	-
Suppliers and trade payables	193,670.65	-	(193,670.65)	-
Advances from customers	1,047.28	-	(1,047.28)	-
Total financial liabilities	19,680,665.06	5,000.00	(19,680,665.06)	5,000.00

This appendix forms an integral part of note 13 to the annual accounts, in conjunction with which it should be read.

MRE-III-PROYECTO CINCO, SOCIMI, S.A.**Main characteristics of payables
for the year ended 31 December 2018**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Type	Currency	Nominal rate	Effective interest rate	Maturity	Euros	
					Nominal amount	Carrying amount
					Current	Non-current
<u>Unrelated parties</u>						
Periza Industries S.A.R.L.	Euros	8.4%	-	2033	3,375,000.00	3,375,000.00
Total					3,375,000.00	- 3,375,000.00

MRE-III-PROYECTO CINCO, SOCIMI, S.A.**Main characteristics of payables
for the year ended 31 December 2017**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Type	Currency	Nominal rate	Effective interest rate	Maturity	Euros		
					Nominal amount	Carrying amount	
					Current	Non-current	
<u>Group</u>							
Meridia Real Estate III, SOCIMI, S.A. Interest	Euros	Market rates	4.06%	2018	6,000,000.00	5,390,000.00	-
					-	77,106.67	-
Total					6,000,000.00	5,467,106.67	-

MRE-III-PROYECTO CINCO, SOCIMI, S.A.
Reconciliation between net income and expense with the tax loss
for the year ended 31 December 2018

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

2018	Euros			
	Income statement			Total
	Increases	Decreases	Net	
Income and expenses for the period	-	-	(869,827.67)	(869,828.31)
Income tax	-	-	-	-
Profit before income tax	-	-	(869,827.67)	(869,828.31)
Taxable income/(Tax loss)	-	-	(869,827.67)	(869,828.31)

MRE-III-PROYECTO CINCO, SOCIMI, S.A.**Reconciliation between net income and expense with the tax loss
for the year ended 31 December 2017**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Euros			
	Income statement			Total
	Increases	Decreases	Net	
2017				
Income and expenses for the period	-	-	(542,648.37)	(542,648.37)
Income tax			-	-
Profit before income tax	-	-	(542,648.37)	(542,648.37)
Taxable income/(Tax loss)	-	-	(542,648.37)	(542,648.37)

MRE-III-PROYECTO CINCO, SOCIMI, S.A.**Relationship between the Income Tax Expense/(Income) and Profit/(Loss)
for the year ended 31 December 2018**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Euros	
	Gains and losses	Total
Income and expenses for the period before tax	(869,827.67)	(869,827.67)
Income tax (0%)	-	-
Income tax expense	-	-

MRE-III-PROYECTO CINCO, SOCIMI, S.A.**Relationship between the Income Tax Expense/(Income) and Profit/(Loss)
for the year ended 31 December 2017**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Euros	
	Gains and losses	Total
Income and expenses for the period before tax	(542,648.37)	(542,648.37)
Income tax (0%)	-	-
Income tax expense	-	-

MRE-III-PROYECTO CINCO, SOCIMI, S.A.

Directors' Report

2017

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

In compliance with Article 262 of Royal Legislative Decree 1/2010 of 2 July 2010, which approves the Revised Spanish Companies Act, we state the following:

1. Business performance and situation of the Company

The Company was incorporated on 9 August 2016, having started its real estate development activity. It incurred losses during the year due to costs that could not be capitalised.

2. Research and development

No research or development costs were incurred during 2018 or 2017.

3. Own shares

The Company held no own shares and carried out no transactions with own shares during 2018 and 2017.

4. Financial risk management policies and objectives

The Company's activities are exposed to various financial risks: market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk, and cash flow interest rate risk. The Company's global risk management programme focuses on uncertainty in the financial markets and aims to minimise potential adverse effects on the Company's profits. Where considered appropriate, the Company uses derivatives to hedge certain risks.

Risks are managed by the Risk Management Unit in accordance with policies approved by the shareholders. This department identifies, evaluates and mitigates financial risks in close collaboration with the Company's operational units. The shareholders issue global risk management policies, as well as policies for specific issues such as interest rate risk, liquidity risk, the use of derivatives and non-derivative instruments, and investments of cash surpluses.

5. Derivative financial instruments

During 2018 the Company did not contract any derivative financial instruments.

6. Average supplier payment period

At 31 December 2018 the average supplier payment period is 48.01 days.

7. Significant events after the reporting period

No significant events have occurred after the reporting period.

MRE-III-PROYECTO CINCO, SOCIMI, S.A.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

On 29 March 2019, pursuant to the requirements of article 253.2 of the Revised Spanish Companies Act and article 37 of the Spanish Code of Commerce, the board of directors of MRE-III- Proyecto Cinco, SOCIMI, S.A. authorised for issue the annual accounts and directors' report for the period from 1 January 2018 to 31 December 2018. The annual accounts comprise the documents that precede this certification.

Signed:

Mr. Javier Faus Santasusana

Mr. Juan Barba Silbela

Mr. Adalberto Cordoncillo Antón