



Barings Core Spain, S.A.U. and subsidiaries

Consolidated Annual Accounts

31 December 2018

Consolidated Directors' Report

2018

(With Independent Auditor's Report Thereon)

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



KPMG Auditores, S.L.
Paseo de la Castellana, 259C
28046 Madrid

Independent Auditor's Report on the Consolidated Annual Accounts

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

To the sole shareholder of Barings Core Spain, S.A.U.

Opinion

We have audited the consolidated annual accounts of Barings Core Spain, S.L.U. (the "Company") and subsidiaries (together the "Group"), which comprise the consolidated balance sheet at 31 December 2018, and the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 2 to the accompanying consolidated 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 Consolidated Annual Accounts section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated 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.

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 consolidated annual accounts of the current period. These risks were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these risks.



Impairment of investment property (notes 2.2, 4.4 and 6 to the consolidated annual accounts)

The Group maintains a significant amount of its assets in real estate investments, which are used wholly or partially to obtain income, capital gains or both. The Group evaluates on an annual basis whether or not there are indications of impairment of the investment properties in order to determine whether the carrying amount of the investment properties exceed its recoverable amount. The recoverable amount of the investment properties were determined on the basis of valuations performed by independent experts. In this regard, the determination of this value involves valuation techniques that often require the exercise of judgements by the independent expert and the Board of Directors, as well as the use of assumptions and estimates. Due to the high degree of judgment, the uncertainty associated with the aforementioned estimates and the significance of the book value of real estate investments, it has been considered a relevant aspect of our audit.

Our audit procedures included, among others, the evaluation of the design and implementation of key controls related to the process of valuation of real estate investments, as well as the evaluation of the methodology and hypotheses used in the elaboration of the valuations used in that process, for which we involved our valuation specialists. In addition, we have assessed whether the information disclosed in the consolidated annual accounts complies with the requirements of the financial reporting framework applicable to the Group.

Other information: Consolidated Directors' Report

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

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility for the consolidated 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 consolidated directors' report with the consolidated annual accounts, based on knowledge of the Group 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 consolidated 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.

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

Directors' Responsibility for the Consolidated Annual Accounts

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



In preparing the consolidated annual accounts, the Company's Directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts_____

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Directors.
- Conclude on the appropriateness of the Company's 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors of the Company, 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 Barings Core Spain, S.L.U., we determine those that were of most significance in the audit of the consolidated 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.

Entered in the Spanish Official Register of Auditors (R.O.A.C.) with number S0702

(Signed on the original in Spanish)

David Hernanz Sayans

Entered in the Spanish Official Register of Auditors (R.O.A.C.) with number 20236

4 October 2019

Barings Core Spain, SOCIMI, S.A. and Subsidiaries

**Consolidated Financial Statements corresponding
to the financial year ending 31 December 2018**

BARINGS CORE SPAIN, S.L. AND SUBSIDIARIES
Consolidated balance sheet at the end of 2018 and 2017 (in euros)

ASSETS		Note	31/12/2018	31/12/2017	EQUITY AND LIABILITIES		Note	31/12/2018	31/12/2017
A) NON-CURRENT ASSETS			174,794,099	174,127,666	A) EQUITY			50,457,500	49,109,928
Intangible assets			(2,000)	(2,000)	A-1) Shareholders' equity			50,457,500	49,109,928
1. Consolidated Goodwill		5	(2,000)	(2,000)	Capital			48,601,844	47,188,804
Property investments			172,910,136	172,212,533	1. Issued capital		10.1	48,601,844	47,188,804
1. Land and buildings		6	142,522,065	172,212,533	Share premium or assumption		10.2	2,778,563	2,778,563
2. Technical plant			6,492,318		Reserves in consolidated companies			-298,790	-541,702
3. Other plant			8,175,836		Profit (loss) for the year attributed to the Parent			-1,258,621	-315,737
4. Moveables			431,115		1. Consolidated profit (loss)			-1,258,621	-315,737
5. Transport elements			1,331,853		Other shareholder contributions			634,504	
6. Other tangible assets			13,737,499		B) NON-CURRENT LIABILITIES			129,355,878	126,011,537
7. Fit Out in progress			219,450		Non-current borrowings			40,538,893	39,809,484
Non-current financial investments			1,652,295	1,652,295	1. Bank borrowings (loans and lines of credit)		8.3.	37,926,024	37,863,424
2. Long-term guarantees		8.1.	1,652,295	1,652,295	2. Other financial liabilities			2,612,869	1,946,060
Deferred tax assets			229,668	260,839	Non-current borrowings with related parties		14.1.	88,816,985	86,202,053
B) CURRENT ASSETS			10,139,864	6,307,335	C) CURRENT LIABILITIES			5,120,585	5,313,536
Trade debtors and other receivables			1,489,958	988,095	Current borrowings			198,232	1,718,894
1. Trade receivables for sales and services		8.2	651,580	467,131	1. Bank borrowings (loans)		8.4.	168,041	59,248
5. Other tax receivables		12.1	838,377	520,964	3. Other financial liabilities			30,191	1,659,646
Current accruals			42,893	52,861	Group Company borrowings			3,244,193	1,750,358
Cash and cash equivalents			8,607,013	5,266,379	1. Current accounts with group companies		14.1.	3,244,193	1,750,358
1. Cash and cash balances		9	8,607,013	5,266,379	Trade and other payables			1,678,161	1,844,284
					2. Payable to suppliers, group companies				163,093
					3. Creditors		8.4.	1,095,803	1,214,830
					5. Payables to Public Administrations		12.1	582,358	466,361
TOTAL ASSETS (A+B)			184,933,963	180,435,001	TOTAL EQUITY AND LIABILITIES (A+B+C)			184,933,963	180,435,001

The consolidated financial statements for the Consolidated Group, which form a whole, comprise the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement, the consolidated statement of changes in equity and the attached notes to the financial statements.

BARINGS CORE SPAIN, S.L. AND SUBSIDIARIES
Consolidated Income Statement for the financial year ended on 31 December 2018 and 2017
(in euros)

	Note	(DEBIT)/CREDIT	
		31/12/2018	31/12/2017
1. Net turnover of the Company		13,778,585	2,692,257
a) Sales			
b) Services rendered	13.1	13,778,585	2,692,257
5. Other operating income		126	59,701
c) Other current management income		126	59,701
7. Other operating costs	13.2	(5,174,084)	(811,573)
a) Outsourcing		(4,778,544)	(636,698)
b) Taxes		(395,540)	(174,874)
8. Depreciation and amortisation	6	(3,339,376)	(676,740)
10. Impairment and profits from fixed asset transfers		-	357,271
a) Impairment			357,271
11. Exceptional income and expenses		35,093	-
a) Exceptional income		35,093	-
A.1. OPERATING PROFIT(LOSS) (1+2+3+4+5+6+7+8+9+10+11)		5,300,344	1,620,916
13. Finance costs	13.3	(5,908,924)	(1,936,652)
a) of Group Companies		(5,091,896)	(1,837,037)
b) Borrowings from third-parties		(817,028)	(99,615)
14. Variation in the fair value of financial instruments	13.3	(650,041)	-
A2. FINANCIAL PROFIT(LOSS) (12+13)		(6,558,965)	(1,936,652)
A3. PROFITS BEFORE TAX (A.1+A.2)		(1,258,621)	(315,737)
A4. FINANCIAL YEAR PROFIT (LOSS) (A.3+14)		(1,258,621)	(315,737)
Profit(loss) attributable to the Parent		(1,258,620.85)	(315,736.51)
Profit(loss) attributable to non-controlling interests		-	-

The consolidated financial statements for the Consolidated Group, which form a whole, comprise the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement, the statement of changes in equity and the attached notes to the financial statements.

**BARINGS CORE SPAIN, S.A.
AND SUBSIDIARIES**

BARINGS CORE SPAIN, S.A.U. AND SUBSIDIARIES

**A) CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES CORRESPONDING TO THE
FINANCIAL YEARS ENDING 31 DECEMBER 2018 and 2017**

(in euros)

	2018	2017
a) Consolidated profit or loss for the year	(1,258,621)	(315,737)
<i>Income and expense recognised directly in equity</i>		
I. Due to valuation of financial instruments	-	-
1. Available-for-sale financial assets	-	-
2. Other Income/expenditure	-	-
II. Due to cash flow hedges	-	-
III. Subsidies, gifts and legacies received	-	-
IV. Actuarial gains and losses and other adjustments	-	-
V. Tax effect on equity	-	-
B) Total income and expenditure directly allocated to the consolidated equity (I+II+III+IV+V)	-	-
<i>Transfers to consolidated income statement</i>		
VI. Due to valuation of financial instruments	-	-
1. Available-for-sale financial assets	-	-
2. Other Income/expenditure	-	-
VII. Due to cash flow hedges	-	-
VIII. Subsidies, gifts and legacies received	-	-
IX. Tax effect on income statement	-	-
C) Total transfers to consolidated income statement (VI+VII+VIII+IX)	-	-
TOTAL CONSOLIDATED RECOGNISED INCOME AND EXPENSES (A+B+C)	(1,258,621)	(315,737)

**B) STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY CORRESPONDING TO THE FINANCIAL YEARS ENDED ON 31 DECEMBER
2018 and 2017**

CONSOLIDATED	Share capital	Share premium or assumption	Reserves in consolidated companies	Profit (loss) for the year	Other shareholder contributions	Other adjustments due to changes in value	Total
A. ADJUSTED BALANCE, START OF 2017 FINANCIAL YEAR	5,003,000	2,778,563	(6,388)	(478,144)	-	-	7,297,032
<i>I. Total recognised consolidated income and expenses</i>	-	-	-	(315,737)	-	-	(315,737)
<i>II. Transactions with shareholders and owners</i>	42,185,804		-	-	-	-	42,185,804
<i>III. Other changes in consolidated net equity</i>	-	-	(535,314)	478,144	-	-	(57,170)
B. BALANCE AT YEAR-END 2017	47,188,804	2,778,563	(541,702)	(315,737)	-	-	49,109,928
<i>I. Total recognised consolidated income and expenses</i>	-	-	-	(1,258,621)	-	-	(1,258,621)
<i>II. Transactions with shareholders and owners</i>	1,413,040	-	-	-	634,503	-	2,047,543
<i>Bargins Logroño Adjustment</i>			(136,693)			93,513	
<i>Barings Toledo Adjustment</i>			513,853			-	
<i>Consolidation reserves adjustment</i>			87,976			-	
<i>III. Other changes in consolidated net equity</i>	-	-	(315,736)	315,736	-	-	558,648
C. BALANCE AT YEAR-END 2017	48,601,844	2,778,563	(392,302)	(1,258,621)	634,503	93,513	50,457,500

The 2018 consolidated financial statements of the Consolidated Group, which form a whole, comprise the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement, the statement of changes in equity, the consolidated statement of changes in equity and the accompanying notes to the financial statements.

BARINGS CORE SPAIN, S.A.U. AND SUBSIDIARIES
Cash Flow Statement for the years ended 31st of December 2018 and 2017
(in euros)

ITEM	Note	31/12/2018	31/12/2018
A) CASH FLOWS FROM OPERATING ACTIVITIES (+/-1+/-2+/-3+/-4)		3,706,577	1,867,934
1. Profit before tax for the year		(1,258,621)	(315,737)
2. Adjustment to profit (loss)		9,898,341	2,256,121
a) Amortization of fixed assets (+)	6	3,339,376	676,740
b) Valuation adjustments due to impairment (+/-)		-	(357,271)
h) Financial expenditure (+)	13c	5,908,924	1,936,652
J) change in fair value of financial instruments		650,041	-
3. Changes in working capital		(658,019)	725,483
b) Trade and other receivables (+/-)		(501,862)	(988,095)
c) Other current assets (+/-)		9,968	(50,299)
d) Trade and other payables (+/-)		(166,125)	1,763,877
4. Other cash flows from operating activities		(4,275,124)	(797,935)
a) Interest paid (-)		(4,306,295)	(537,096)
d) Receipt (payment) due to income tax (+/-)		31,171	(260,839)
B) CASH FLOWS FROM INVESTMENT ACTIVITIES (7-6)		(4,687,020)	(152,443,965)
6. Payments due to investments (-)		(4,687,020)	(152,443,965)
b) Intangible fixed assets	5		(2,000)
d) Real estate investments	6	(4,036,979)	(150,932,002)
e) Other financial assets		(650,041)	(1,509,962)
C) CASH FLOW FROM FINANCING ACTIVITIES (+/-9+/-10)		4,321,077	155,378,014
9. Proceeds and payments due to equity instruments		2,606,192	42,128,634
a) Issue of equity instruments (+)		2,047,544	42,128,634
b) Amortisation of equity instruments (-)		558,648	-
10. Proceeds and payments due to financial liability instruments		1,714,885	113,249,380
a) Issue		1,714,885	113,249,380
1. Bank borrowings (+)		62,598	31,549,856
2. Loans with group companies and associates (+)		2,614,932	78,236,151
3. Other liabilities (-)		(962,645)	3,463,374
E) NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (+/-A+/-B+/-C/+D)		3,340,634	4,801,983
Cash and cash equivalents at beginning of financial year		5,266,379	464,395
Cash or cash equivalents at the end of the financial year		8,607,013	5,266,379

The 2017 consolidated financial statements of the Group, which form a whole, comprise the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement, the consolidated statement of changes in equity and the attached notes to the financial statements.

**BARINGS CORE SPAIN, S.A.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2018

1. Group Companies

1.1. Parent

BARINGS CORE SPAIN, SOCIMI, S.L.U. (hereinafter, the Parent) was incorporated in Spain in accordance with the Spanish Corporate Enterprises Act on 27 April 2016, under the name Manedulina S.L. via an instrument executed by the notary of Madrid Mr Andrés Domínguez Nafria under number 1349 of his protocol. Registered in the Commercial Registry of Madrid: Volume 34730, Book 0, Sheet 141, Section 8, Page M-62664 Entry 1. On 20 September 2016 the Company changed its name to Barings Core Spain S.L.U. and became a Public Limited Company via an instrument executed on 26 December 2017. On 20 July 2018 the Company changed its name to Barings Core Socimi, S.A. via an instrument executed on 20 July 2018.

On the same date it changed its corporate purpose which is now worded as follows:

- The acquisition and development of real estate of an urban nature for lease.
- The ownership of shareholdings in the capital of listed real estate investment trusts ("REITs") or in that of other non-resident entities in Spanish territory whose Articles of Association indicate the same corporate purpose as that of the Company and which are subject to a similar system with regard to the legal or statutory obligation or the distribution of profits.
- The ownership of stakes in the capital of other entities, resident or non-resident, in Spanish territory, whose main corporate purpose is the acquisition of real estate of an urban nature for its lease and which are subject to the same system established for the REITs in respect of the obligatory, legal or statutory policy relating to the distribution of profit and which fulfils the investment requirements referred to in the Law concerning REITs.
- The ownership of shares or shareholdings in Real Estate Collective Investment Institutions governed by the Law 35/2003 of 4 November on Collective Investment Institutions.
- In addition, the Company may carry out other ancillary activities, these being understood as those in which the total income represents less than twenty percent (20%) of the income of the Company during each tax period (including, without limitation, real estate transactions other than those detailed in sections a) and d) above) or those that may be considered as ancillary pursuant to the Law on REITs at any time.

The Company will be able to sell its assets according to the terms and conditions established in the Law governing REITs or any legislation that replace it.

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

The Parent Company transferred its registered office to calle Serrano 41, 41º planta, Madrid via an instrument executed on 20 June 2018.

The Sole Shareholder is Barings Core Fund Spain S.à.r.L. (Luxembourg) with a 100% stake, a Company that is validly incorporated and exists pursuant to the laws of the Grand Duchy of Luxembourg, incorporated before the Notary Public of Junglister, Mr. Jean Seckler, with

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registered office at rue Eugène Ruppert, L-2423 Luxembourg. It files its consolidated financial statements with the Commercial Registry of Luxembourg.

The Parent declares that it prepares the consolidated financial statements of the Group, which include its financial investments in accordance with the provisions set forth in rules of the company Barings European Core Property Fund SCSp SICAV-SIF, with registered office at 19 rue Eugene Ruppert L-2453.

The figures included in Company's consolidated financial statements are expressed in euros, unless otherwise indicated.

The duration of the Company is indefinite and it began operations on the date of execution of the public deed of incorporation. The Company closes its financial years on 31 December of each year.

The attached consolidated financial statements include the financial statements of the Companies controlled by the Parent company as at 31 December of each reporting period. The Parent company is deemed to have control when it has the power to establish the financial and operational policies of its investees.

1.1.1. SOCIMI scheme

On 27 September 2016, the Parent Company submitted a request to the Spanish Tax Authority to incorporate the Company under the special taxation scheme for Listed Real Estate Investment Trusts, regulated by Law 11/2009 of 26 October, amended by Law 16/2012 of 27 December which regulates the Real Estate Investment Trusts.

Law 11/2009 establishes the following requirements in its article 3:

1. REITs must have at least 80% of the value of its assets in real estate of an urban nature for leasing, in land earmarked for real estate development provided that the development is initiated within a period of three years following acquisition and also in shareholdings in the capital or equity of other entities referred to in Article 2, section 1, of the aforesaid Law.
2. Similarly, after the maintenance period referred to in the following section has elapsed, at least 80% of the income for the tax period corresponding to each financial year, excluding that deriving from the transmission of shareholdings and real estate both subject to the fulfilment of the main corporate purpose, must originate from the leasing of real estate and dividends or shares in profits originating from said shareholdings.

This percentage will be calculated based in the consolidated profit (loss) in the case that the Company is the parent of a Group according to the criteria laid down in Article 42 of the Commercial Code, regardless of the residency and the obligation to prepare consolidated financial statements. This group will be formed exclusively by the REITs and the remaining entities referred to in Article 2, section 1 of the regulating Law.

3. The real estate that forms the assets of the Company must be leased for at least 3 years. For the purposes of the calculation, the time that the real estate has been offered under lease will be included, up to a maximum of one year.

The period will be calculated as follows:

- a) In the case of real estate that forms part of the equity of the Company prior to its adhesion to the scheme, from the date of commencement of the tax period in which the special tax scheme established in this Law is applied, provided that on said date it is leased or offered under lease. To the contrary, it will be subject to the following point.

BARINGS CORE SPAIN, S.A. AND SUBSIDIARIES

- b) In the case of real estate subsequently developed or acquired by the Company, from the date they were leased or offered under lease for the first time.
 - c) In the case of shares or shareholdings in entities referred to in Article 2, section 1 of this Law, these must remain among the assets of the Company for at least 3 years counted from their acquisition or, where relevant, from the commencement of the first tax period in which the special tax scheme laid down in this law applies.
4. The required minimum capital is 5 million euros.
 5. REITs are obligated to be listed on a regulated market or multilateral trading facility.

Furthermore, once it has complied with its commercial obligations, the Company must distribute the profits obtained during the year in the form of dividends to its shareholders within the six months following the conclusion of each financial year and pay within one month of the date of the resolution of the distribution.

The application of the REITs scheme detailed above has been implemented since 2016 notwithstanding the fact that the Company does not fulfil all the requirements established by the legislation for its application, as the Company may opt for the application of the special tax scheme by virtue of the terms established in Article 8 of the Transitory Provision One of Law 11/2009, of 26 October, amended by Law 16/2012 of 27 December governing Real Estate Investment Trusts, even when these do not fulfil the requirements established therein, on the condition that such requirements are fulfilled within a period of two years following the date of the option to apply for said scheme. On 31 December 2018, the Company already fulfilled all the requirements established by this standard given that since the month of September 2018 the company's shares are traded on Euronext Access Paris.

1.2. Subsidiaries

Subsidiaries are the entities, including the special purpose entities, over which the Group has or can have direct or indirect control, this being understood to mean the power to direct the financial and operational policies of a business in order to obtain financial benefits from its activities.

The existence and effect of the potential voting rights which can currently be exercised or converted are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and they are excluded from consolidation on the date on which control ends.

The results of the investees acquired during the financial year are included within the consolidated result from the effective date that control is taken or until the loss of said control, as appropriate. The breakdown of the Subsidiaries of the Barings Group in 2018 as well as their activities, registered offices and shareholding percentages are as follows:

Subsidiaries	Euros			Shareholders' Equity	% Shareholding
	Subscribed Capital	Reserves	Profit (loss) for the year		Direct
Barings Core Madrid, S.L.	1,003,000	6,320,969	26,914	7,350,883	100%
Barings Core Toledo, S.L.	1,272,371	11,361,311	(44,753)	12,588,929	100%
Barings Core Plaza, S.L.	635,080	5,692,146	374,960	6,702,186	100%
Barings Core Logroño, S.L.	698,098	21,979,456	2,113,538	25,441,134	100%
Barings Core Logroño, PFS S.L.	143,804	1,265,034	(91,767)	1,317,071	100%

**BARINGS CORE SPAIN, S.A.
AND SUBSIDIARIES**

Subsidiaries	Corporate address	Main Activity
Barings Core Madrid, S.L.	Madrid - Spain	CNAE (Spanish Economic Activity Code) 6820 - Rental of Properties
Barings Core Toledo, S.L.	Madrid - Spain	CNAE (Spanish Economic Activity Code) 6820 - Rental of Properties
Barings Core Plaza, S.L.	Madrid - Spain	CNAE (Spanish Economic Activity Code) 6820 - Rental of Properties
Barings Core Logroño, S.L.	Madrid - Spain	CNAE (Spanish Economic Activity Code) 6820 - Rental of Properties
Barings Core Logroño, PFS S.L.	Madrid - Spain	CNAE (Spanish Economic Activity Code) 6820 - Rental of Properties

The breakdown of the Subsidiaries of the Barings Group in 2017 as well as their activities, registered offices and shareholding percentages are as follows:

Subsidiaries	Euros			Shareholders' Equity	% Shareholding Direct
	Subscribed Capital	Reserves	Profit (loss) for the year		
Barings Core Madrid, S.L.	1,003,000	6,645,192	(26,801)	7,781,563	100%
Barings Core Toledo, S.L.	1,272,371	11,419,768	(572,310)	12,696,712	100%
Barings Core Plaza, S.L.	635,080	5,686,543	(34,256)	6,325,800	100%
Barings Core Logroño, S.L. ⁽¹⁾	25,781,348	22,000,339	(4,383)	64,845,525	100%

(1) Data as at 29/12/2017 when the Company is acquired and incorporated into the Group.

Subsidiaries	Corporate address	Main Activity
Barings Core Madrid, S.L.	Madrid - Spain	CNAE (Spanish Economic Activity Code) 6820 - Rental of Properties
Barings Core Toledo, S.L.	Madrid - Spain	CNAE (Spanish Economic Activity Code) 6820 - Rental of Properties
Barings Core Plaza, S.L.	Madrid - Spain	CNAE (Spanish Economic Activity Code) 6820 - Rental of Properties
Barings Core Logroño, S.L.	Madrid - Spain	CNAE (Spanish Economic Activity Code) 6820 - Rental of Properties

The circumstances in which these Companies are consolidated, using the full consolidation method, correspond to the situations referred to in Article 2 of the Rules for Preparing Consolidated Financial Statements, (NOFCAC), which are detailed as follows:

1. When the Parent company is considered to be in a relationship with another Company (subsidiary) in any of the following situations:
 - a) The Parent company holds the majority of the voting rights.
 - b) The Parent company has the power to appoint or remove the majority of the members of the governing body.
 - c) The Parent company, by virtue of agreements entered into with other Shareholders, may have the majority of the voting rights.
 - d) The Company has appointed the majority of the members of the Governing body using its votes, who are discharging their duties at the time of issue of the consolidated financial statements and during the preceding two financial years. This circumstance assumes that the majority of the members of the Parent company's governing body

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are members of the governing body or senior management of the Parent company or an investee company.

2. When a parent company holds half or less than half of the voting rights, even when it barely possesses or does not possess a shareholding in another Company, or when the managerial power has not been detailed (special purpose entities), but it participates in the risks and benefits of the entity, or has the capacity to participate in the operational and financial decision-making thereof.

Pursuant to article 155 of the Spanish Corporate Enterprises Act, the Company has informed all these Companies that, either directly or through another Subsidiary, it holds a stake of more than 10% of the capital. The close of the financial year of the Subsidiaries coincides with that of the Parent company. All Subsidiaries have been consolidated in these consolidated financial statements.

2. Basis of Presentation of the Consolidated Financial Statements

2.1 True and fair view

The consolidated financial statements have been prepared using the accounting records of the Barings Core Spain S.L. and of the Subsidiaries and include the adjustments and reclassifications necessary for their homogenisation in terms of time and value using the accounting criteria established by the Group.

These consolidated financial statements have been prepared in accordance with the prevailing commercial legislation, established in the Commercial Code reformed in accordance with Law 16/2007 of 4 July on the reform and adaptation of the commercial legislation concerning accounting matters for their international harmonisation based on the regulations of the European Union, Royal Decree 1514/2007 of 20 November, approving the General Accounting Plan, and Royal Decree 1159/2010 of 17 September, approving the rules for preparing consolidated financial statements (NOFCAC), in all matters in which these are not in conflict with that established in the aforementioned commercial legislation, for the purpose of displaying a true and fair view of the assets, financial situation and profit (loss) of the Group, and the sector adaptation plan to real estate companies, the accuracy of the cash flows incorporated into the consolidated statement of cash flows.

The Directors of the Parent Company consider that the consolidated financial statements for 2018, prepared on 31 March 2019, will be approved by the Sole Shareholder without any amendments. The attached Consolidated Financial Statements shall be submitted before the Sole Shareholder of the Parent company for approval, and it is expected that they will be approved without any amendment.

2.2 Critical aspects concerning valuation and estimation of uncertainties and relevant judgements in the application of accounting policies

The preparation of the consolidated financial statements requires the use by the Directors of certain estimates and judgements in relation to the future that are continually assessed and based on historical experience and other factors, including expectations of future events considered reasonable under the circumstances.

The actual results may well appear in a manner different to that expected and subsequently these estimations and judgements are continuously evaluated. Even though these estimations were performed by the Management of the Parent company with the best information available at the close of each reporting period, by applying its best estimate and knowledge of the market, it is

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possible that potential future events may oblige the Parent company to amend them in the following financial years. In accordance with the prevailing legislation, the effects of the change in the estimations will be recognised prospectively in the income statement.

The most significant estimations and judgements performed by the Company are detailed below:

- The valuation of the impairment to its real estate investments that may derive from a lower value received in the real estate appraisals carried out by independent third-party experts compared to the book value recognised for these assets. In order to determine the fair value, the Directors of the Parent Company has engaged an independent expert to perform appraisals of the real estate investments according to the estimations of the expected future cash flows of such assets and using the appropriate discount rate to calculate the actual value of these cash flows. (Note 5).
- The useful life of its real estate investments (Note 5).

2.3. Comparison of information

In accordance with commercial law, in addition to the figures for the year ending 31 December 2018, each consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement items are presented with the figures for 2017 for comparison purposes.

When comparing the items from both periods, it is necessary to take into account the variations in the scope of consolidation from one year to the next. In 2017, the scope of consolidation included the Parent Company and the subsidiaries Barings Core Madrid, S.L., Barings Core Toledo S.L., Barings Core Plaza S.L. and Barings Core Logroño S.L., whereas in 2018, the company acquired in 2018, Barings Core Logroño PFS, S.L., was added to the scope of consolidation.

2.4 Grouping of items

To facilitate the understanding of consolidated balance sheet, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement, these statements are presented grouped, including the required analysis in the corresponding notes to the financial statements.

3. Distribution of the profit (loss) of the Parent company

As at 31 December 2018, the Parent Company has recorded a loss of 1,258,621 euros and the Directors will propose the following distribution:

- Accumulated losses 1,258,621 euros

4. Recognition and Valuation Standards

The main valuation standards used by the Group in preparing its consolidated financial statements have been as follows:

4.1 Subsidiaries

4.1.1 Acquisition of control

The acquisition by the Parent company of control of a subsidiary constitutes a business combination that is accounted for using the acquisition method.

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This method requires that the acquiring company recognises the identifiable assets acquired and liabilities assumed in a business combination on the acquisition date and where applicable, the corresponding goodwill or negative difference. Subsidiaries are consolidated from the date on which control is transferred to the Group and they are excluded from the consolidation on the date on which control ends.

The acquisition cost is determined as the total of the fair values on the acquisition date of the assets delivered, the liabilities assumed and the equity instruments issued by the acquirer and the fair value of any contingent consideration that depends on future events or the fulfilment of certain conditions, which must be recognised as an asset, liability or as equity depending on its nature.

The costs associated with issuing the equity instruments or the financial liabilities delivered do not form part of the cost of the business combination, with such being recognised in accordance with the rules applicable to financial instruments. The fees paid to legal advisors and other professionals involved in the business combination are recognised as costs when they are incurred. Neither the costs generated internally by these items shall be included in the cost of the combination, nor those, if any, that would have been incurred by the acquired entity.

The excess of the cost of the business combination, on the acquisition date, over the proportional part of the value of the identifiable assets acquired less that of the assumed liabilities representative of the shareholding in the capital of the acquiring Company shall be recognised as goodwill. In the exceptional case that this amount is greater than the cost of the business combination, the excess will be recognised in the consolidated income statement as income.

4.2 Acquisition of control by stages

When the control over a Subsidiary is acquired through several transactions made on different dates, the goodwill (or the negative difference) is obtained from the difference between the cost of the business combination, plus the fair value on the acquisition date of any prior investment made by the acquiring company in the acquired company, and the value of the identifiable assets less that of the liabilities assumed.

Any gain or loss arising as a result of the measurement at fair value on the date upon which control of the prior shareholding of the acquiring company in the acquired company, is recognised in the income statement. If the investment has been previously measured at fair value, the valuation adjustments to be recognised in profit(loss) for the year are transferred to the consolidated income statement.

4.2.1 Consolidation method:

The assets, liabilities, income, expenditure, cash flows and other items of the financial statements of the Group Companies are included in the consolidated accounts of the Group using the full consolidation method. This method requires the following:

- Homogenisation of time. The consolidated financial statements are established according to the same date and period as those of the Company obliged to consolidate. The inclusion of Companies with a different reporting period is carried out through interim financial statements referring to the same date and period as the consolidated financial statements.
- Homogenisation of measurement. The elements of assets and liabilities, the income and expenditure, and other items of the financial statements of the Group Companies are measured following uniform methods. Any assets or liabilities, or items of income or expense that have been measured using the non-uniform criteria with regard to those applied upon consolidation have been measured again, carrying out the necessary adjustments, for the

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sole purposes of consolidation.

- Aggregation. The different items of the previously homogenised separate financial statements are grouped according to their nature.
- Elimination of equity investment. The accounting values representative of the equity instruments of the Subsidiary possessed, directly or indirectly, by the Parent company, are offset with the proportional part of the items of equity of the aforementioned Subsidiary attributable to said shareholdings, generally over the base of the values resulting from the previously detailed acquisition method. In consolidations after the reporting period in which control is acquired, the excess or lack of equity generated by the Subsidiary from the acquisition date that is attributable to the Parent company is presented in the consolidated balance sheet under the headings Reserves or Adjustments due to changes in value, depending on the nature. The part attributable to the non-controlling interests is detailed under the heading "Non-controlling interests".
- Shareholding of non-controlling interests. The measurement of the non-controlling interests is performed according to their effective shareholding in the equity of the Subsidiary once the previously detailed adjustments have been performed. Consolidated goodwill is not attributed to non-controlling interests. The excess between the losses attributable the Non-controlling interests of a Subsidiary and the portion of equity that proportionally corresponds to them is attributed to them, even when this implies a balance payable in each item.
- Intragroup eliminations. The payables and receivables, income and expenses and cash flows between the Group companies are all eliminated. Similarly, all the results of the internal operations are eliminated and deferred until performed before third-parties external to the Group.

The consolidation has been performed in accordance with the full consolidation method for the Subsidiaries listed in Note 1.2 in which Barings Core Spain S.L. holds the majority of the voting rights.

1. Changes in shareholdings without loss of control

Once control of a subsidiary has been obtained, any subsequent actions that give rise to a change in the shareholding of the Parent company in the subsidiary, without the former losing its control over the latter, are considered in the consolidated financial statements as an operation with equity securities, with the following rules:

- a) The recognised amount of goodwill or negative difference is not changed, neither are other recognised assets or liabilities.
- b) The gain or loss that would have been recognised in the separate accounts is eliminated upon consolidation with the corresponding adjustment in the reserves of the Company whose shareholding is reduced;
- c) The amounts under the headings "Adjustments due to changes in value" and "Subsidies, gifts and bequests" are adjusted to reflect the shareholding in the capital of the subsidiary maintained by the Group Companies.
- d) The shareholding of the non-controlling interests in the equity of the subsidiary is indicated by the shareholding percentage that the third-parties external to the Group possess in the Subsidiary once the operation is complete, which includes the shareholding percentage in the goodwill recognised in the consolidated financial statements associated with the amendment generated;

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- e) The adjustment required resulting from points a), b) and d) above will be recognised in reserves.

2. Loss of control

When control of a subsidiary is lost, the following rules are observed:

- a) The gain or loss recognised in the separate financial statements is adjusted for consolidation purposes.
- b) If the Subsidiary becomes classified as either multi-group or associated, it is consolidated, or initially, the equity method applied, taking into account for initial measurement purposes, the fair value of the retained shareholding on said date.
- c) The shareholding in the equity of the Subsidiary that is retained after the loss of control and which does not belong to the scope of consolidation shall be measured in accordance with the criteria applicable to financial assets (Note 4.9) considering as the initial measurement the fair value on the date it ceases to form part of the aforementioned scope of consolidation.
- d) An adjustment is recognised in the consolidated income statement to show the shareholding of the non-controlling interests in the income and expenses generated by the subsidiary up until the date of the loss of control, and in the transfer to the income statement of the income and expenses recognised directly in equity.

4.3 Consolidated goodwill

The acquisition by the Parent company of the control of a subsidiary constitutes a business combination to which the acquisition method will be applied. In subsequent consolidations, the elimination of the investment-equity of the subsidiaries will be performed on a general basis according to the values resulting from applying the acquisition method described below on the date of control.

1. The business combinations are recognised by applying the acquisition method for which the acquisition date is determined and the cost of the combination calculated, recognising the identifiable assets acquired and the liabilities assumed at fair value on said date.
2. The goodwill or the negative difference of the combination is determined by the difference between the recognised fair values of the assets acquired and liabilities assumed and the cost of the combination, all referenced to the acquisition date.
3. The cost of the combination is determined by the aggregation of:
 - The fair values on the acquisition date of the assets assigned, the liabilities incurred or assumed and equity instruments issued.
 - The fair value of any contingent consideration that depends on future events or the fulfilment of predetermined conditions.
4. The costs relating to the issuance of equity instruments or the financial liabilities delivered in exchange for the acquired elements do not form part of the combination.
5. Likewise, and since 1 January 2010, the fees paid to legal advisers or other professionals who have been involved in the combination do not form part of the cost of the combination, and neither

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do the costs generated internally by these concepts. These amounts are directly allocated to the income statement.

6. If the business combination is performed by stages, in such a manner so that prior to the acquisition date (takeover date) there is a prior investment, the goodwill or negative difference is obtained by the difference between:

- The cost of the business combination, plus the fair value on the acquisition date of any prior shareholding made by the acquiring company in the acquired company, and
- The value of the identifiable assets less that of the liabilities assumed, determined in accordance with the above.

7. Any gain or loss arising as a result of the measurement at fair value on the date upon which control of the prior shareholding existing in the acquired company is obtained, will be recognised in the income statement. If the investment in this investee has been previously measured at fair value, the valuation adjustments to be recognised in profit(loss) for the year will be transferred to the income statement. Furthermore, it is assumed that the cost of the business combination is the best reference for estimating the fair value on the acquisition date of any previous shareholding.

The goodwill arising as a result of the acquisition of companies with a functional currency different to the euro shall be measured in the functional currency of the acquired company, with the translation into euros being performed using the exchange rate in force on the balance sheet date.

Goodwill is not amortised and is subsequently measured at its cost less impairment losses. The adjustments due to impairment recognised in goodwill are not subject to reversals in subsequent financial years.

In the exceptional circumstance that there is a negative difference in the combination, this shall be recognised in the income statement as income.

If at the close of the financial year in which the combination arises the measurement process necessary to apply the previously described acquisition method cannot be completed, this recognition will be considered as provisional, with these provisional values subject to change during the period necessary in order to obtain the information it required, which under no circumstance may exceed one year. The effect of the adjustments made in this period are recognised retrospectively, amending the comparative information as required.

The subsequent changes in the fair value of the contingent consideration are adjusted against profit and loss, unless said consideration has been classified as equity, in which case the positive changes in their fair value will not be recognised.

If there are shareholding sale or purchase transactions of subsidiary after control is obtained, without said control being lost, the impacts of these transactions without changes of control are recognised in equity and the amount of the goodwill from consolidation is not changed.

4.4 Property investments

The property investments heading of the consolidated balance sheet includes the values of land, buildings and other constructions that are maintained either to operate them as rentals or to obtain capital gains in their sale as a consequence of the increases that may occur in the future in their respective market prices.

Likewise, in the case of Barings Core Logroño, S.L., the rest of the fixed assets comprising the shopping centre are included as property investments.

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The real estate investments are initially measured at cost, which corresponds to their acquisition cost including the directly associated costs, less the corresponding accumulated amortisation and impairment losses.

The conservation and maintenance costs of the different elements making up the real estate investments are allocated to the profit and loss account of the financial year in which they are incurred. In contrast, the amounts invested in improvements which contribute to increasing the capacity or efficiency or extending the useful life of said assets are entered at the greater cost thereof.

The Group amortises the property investments following the straight-line method at 2% per annum. The changes, if any, which may arise in the residual value, the useful life or the depreciation method of an asset shall be recognised as changes in the accounting estimates, unless considered an error. After acquiring Barings Core Logroño S.L., as explained in note 5, the Directors have decided to re- estimate the useful life of the assets for leasing from 99 years to 50 years which is consistent with the useful life of other assets in the group. The other fixed assets (plant, moveables, transport elements, etc) are amortised in line with their estimated useful life. The amortisation table is detailed below:

	Years of useful life
Properties for letting	50
Technical plant and machinery	19
Other plant, tools and moveables	19

Property investments included obligations relating to improvements or maintenance constructions with the lessees ("Fit out") to perform constructions and improvement works with the aim to enable the entry of different operators, provided that this obligation is assumed by the companies and not by the lessee. This entry has depreciated during the agreements with the tenants that have generated it.

At the end of the financial year the Group evaluates if there are signs that any of the real estate investments may be impaired, and if this is the case, it shall estimate the recoverable amounts, carrying out the valuation changes that apply.

The allocation of said impairment as well as its reversal is performed in accordance with that indicated in the rules governing recognition and valuation included in the General Accounting Plan.

In addition, the depreciation of the following financial years of the impaired real estate investments shall be adjusted, taking into account the new book value.

4.4.1 Impairment of real estate investments

Whenever there are indications of loss of value of the property investments, the Group estimates, using the impairment test, the possible existence of losses in value which reduce the recoverable value of said assets, to an amount lower than their book value.

The recoverable amount is determined as the greatest amount between the fair value minus the sales costs and the value in use. In particular, for the totality of the real estate investments, the value in use is determined through the discount of future flows generated by the corresponding asset on the basis of the existing committed income and using the market discount rates.

When an impairment loss subsequently reverts, the book value of the asset is increased by the

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revised estimate of its recoverable amount, but in such a manner that the increased book value does not exceed the book value that would have been determined if no loss had been recognised due to impairment loss in previous financial years

4.5 Leases

Leases are classified as financial leases provided that from their condition it is deduced that the risks and rewards inherent in the ownership of the asset object of to the contract are substantially transferred to the lessee. The other leases are classified as operating leases.

As at 31 December 2018 and 2017, the Company, which acts as a lessor in several operating leases, does not hold any financial leases.

Operating lease

The assets leased to third parties under operating leases are presented in accordance with the nature of the leases resulting from the application of the accounting principles that are implemented in the section on real estate investments.

The income and costs deriving from operating leases are recognised in the consolidated income statement in the financial year in which they are incurred. (Note 7).

Any money received which may be made on contracting an operating lease will be treated as an early collection which is charged to results throughout the lease period, as the profits of the assets leased are ceded or received.

4.5.1 Bonds delivered

The Group receives the corresponding bonds from lessees. In accordance with the Law on Urban Leases, the Company is subject to the deposit arrangement system in some Autonomous Communities.

According to this system, the Company is obliged to deposit 100% (90% in the case of Barings Core Logroño S.L.) of the bonds received from its lessees with specific Official Institutions. Thus, such bonds received from lessees are classified in the current or non-current liabilities side of the balance sheet and those deposited in the Official Institutions of the Autonomous Communities are recognised in the non-current assets side of the balance sheet.

In respect of the bonds delivered for operating leases, the difference between the fair value and the amount paid will be considered as an advance payment or collection for the lease or the rendering of the service, which shall be recognised in the income statement during the term of the lease.

The same criteria shall be applied to the bonds received, the difference between the fair value and the amount delivered for the bonds of the operating leases is not significant for the purposes of the preparation of these consolidated financial statements, as a result, the bonds are not updated.

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4.6 Financial Assets

4.6.1 Classification

The consolidated Group's financial assets are classified in the following categories:

- a) Loans and other receivables: financial assets arising from the sale of goods or the rendering of services in the ordinary course of business, or financial assets not arising from the ordinary course of business but are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.
- b) Cash and cash equivalents: the cash comprises both cash at hand and demand deposits. The other cash equivalents are short-term investments, with a maturity of less than three months, and which are not subject to a relevant risk of changes in their value.

4.6.2 Valuation

Initial valuation

The financial assets are initially entered, in general terms, at the fair value of the consideration received plus the costs of the transaction that are directly attributable.

Subsequent valuation

The loans and accounts payable are valued at their amortised cost, recognising the interest accrued in accordance with their effective interest rate, understood as the update rate that equals the book value of the instrument with all the estimated cash flows until their maturity.

Nevertheless, trade receivables maturing in less than one year without a contractual interest rate are carried at their face value at both initial recognition and subsequent measurement, provided that the effect of not discounting flows is not significant.

4.6.3 Cancellation

The Group derecognises the financial assets when they expire or the rights over the cash flows of the corresponding financial assets are assigned and the risks and rewards of ownership have been substantially transferred. In contrast, the Group does not derecognise the financial assets, and recognises financial liabilities for an amount equal to the compensation received, in the assignments of financial assets where the risks and rewards of ownership are substantially retained.

4.6.4 Transfer of financial assets

The transfers of financial assets are measured according to the following criteria:

- When the risks and rewards are substantially transferred, the financial asset is derecognised from the balance sheet and any right or obligation retained or created during the transfer is recognised.
- When the risks and rewards are substantially retained, the financial asset is not derecognised from the balance sheet and a financial liability is recognised for the amount of the transaction which is measured at amortised cost.
- When the risks and rewards are substantially transferred, the financial asset is

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derecognised from the balance sheet and any right or obligation retained or created during the transfer is recognised. Should the Entity retain control, the financial asset is not derecognised from the balance and the asset continues to be recognised.

4.6.5 Impairment of value of financial assets

A financial asset or group of financial assets are deemed to be impaired and an impairment loss is recognised if there is objective evidence of the impairment as a result of one or more events that have occurred after the initial recognition of the asset and that this event resulting in the loss has an impact on the estimated future cash flows of the asset or group of financial assets, and can be reliably estimated.

The Group follows the criteria of recognising the appropriate valuation adjustments due to the impairment of loans and other receivables and debt instruments when there is a reduction or delay in the estimated future cash flows caused by the insolvency of the debtor. Similarly, in the case of equity instruments, impairment exists when there is a lack of recoverability of the book value of the asset due to a prolonged or significant decline in its fair value.

- Impairment of financial assets measured at fair value or cost: the amount of the impairment loss of financial assets measured at amortised cost is the difference between the fair value of the financial asset and the current value of the estimated future cash flows, excluding the future credit losses not incurred, discounted at the original effective interest rate of the asset. In the case of variable interest rate financial assets, the interest rate in effect according to the contractual terms and conditions is used. With regard to debt instruments classified as investments held to maturity, the Group uses the market value, provided that this is sufficiently reliable to consider it representative of the value that could be recovered.

The impairment loss is recognised with a charge to profit and loss and is reversible in subsequent financial years, if the decrease can be objectively related to an event after its recognition. Notwithstanding, the reversal of the loss is limited to the amortised cost that the assets would have had if the impairment loss had not been recognised.

- Impairment of available-for-sale financial assets: in the case of available-for-sale financial assets, the decrease in the fair value that has been recognised directly in recognised income and expenses in equity is recognised in profit and loss when there is objective evidence of an impairment. The amount of the impairment loss recognised in profit and loss is calculated as the difference between the cost or amortised cost, less any impairment loss previously recognised in profit and loss and the fair value.

An available-for-sale financial asset or group of available-for-sale financial assets with similar risk characteristics measured jointly is impaired as a result of one or more events that have occurred after their recognition, and which result in:

- In the case of debt instruments acquired, a reduction or delay in the estimated future cash flows which may be caused by the insolvency of the debtor.
- In the case of equity instruments, a lack of recoverability of the book value of the asset, demonstrated by a prolonged or significant fall in its fair value.

The accumulated losses recognised in equity due to the decrease in the fair value, provided that there is objective evidence of the impairment, are recognised in the income statement for the year.

If during subsequent financial years the fair value increases, the valuation adjustment will be

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reversed with a credit to the income statement for the year. However, in the case that the fair value corresponding to the equity instrument should increase, the valuation adjustment recognised in previous financial years is not reversed with a credit to the income statement, but rather the increase in fair value is recognised directly against equity.

In the case of equity instruments measured at fair value, due to it not being possible to reliably determine their fair value, it will not be possible to reverse the valuation adjustment recognised in previous financial years. The increase in the fair value of the debt instruments that can be objectively related to an event after the recognition of the impairment is recognised against profit and loss up to the amount of the previously recognised impairment loss and the excess, if any, against recognised income and expenses in equity.

4.7 Financial Liabilities

Financial liabilities are those debits and accounts payable of the Group which have arisen in the purchase of goods and services in the ordinary course of business, or those which, without having a commercial origin, cannot be considered as derivative financial instruments. These borrowings are classed as current liabilities unless the Company has an unconditional right to defer their settlement during at least 12 months after the balance date.

The liabilities and payables are initially measured at fair value, which, unless otherwise indicated, is the transaction price, this being the equivalent of the fair value of the consideration received, adjusted for the directly attributable transaction costs.

After their initial recognition, these financial assets are valued at their amortised cost according to the effective interest rate method. The accrued interests are entered in the profit and loss account applying the effective interest rate method. This effective interest is the update rate which equals the book value of the instrument with the expected flow of future payments planned until maturity of the liability.

Nevertheless, trade payables falling due in less than one year without a contractual interest rate are carried at their face value at both initial recognition and subsequent measurement, provided that the effect of not discounting flows is not significant.

The Group derecognises financial liabilities when the obligations generated have been eliminated.

4.8 Financial Derivatives

The Company uses derivative financial instruments to cover the risk of changes in interest rates.

The derivative financial instruments, that fulfil the criteria of hedge accounting, shall be initially recognised by their fair value, plus, where applicable, the transaction costs that are directly attributable to their contracting or minus, where applicable, the transaction costs that are directly attributable to their issue. Notwithstanding the transactions costs, they are subsequently recognised in results, to the extent that they do not form part of the effective hedge variation.

At the start of the hedge, the Company designates and formally documents the hedge relations, and the objective and the strategy that it assumes with respect to them. The hedge operation accounting shall only be applicable when it is expected that the hedge is highly effective at the start of the hedge and in the following financial years to compensate for the changes in the fair value or in the cash flows attributable to the risk covered, during the period for which it has been designated (prospective analysis) and the actual efficacy is in a range of 80-125% (retrospective analysis) and it can be reliably determined.

The company has not classified the derivative financial instruments as hedge.

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The changes in fair value of the derivative financial instruments are recognised in the income statement as they arise.

4.9 Income Tax

The income tax expense or revenue consists of both the current tax and the deferred tax.

The current income tax assets or liabilities are measured at the amounts expected to be paid or recovered from the tax authorities, using the legislation and tax rates in force or approved and pending publication on the year-end date.

Current and deferred income tax is recognised in profit and loss, except to the extent that the tax arises from a transaction or event recognised, in the same or a different year, in equity or from a business combination.

The taxable temporary differences are recognised in all cases unless they arise from the initial recognition of the goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and that neither affects accounting profit nor taxable income at the time of the transaction.

The deductible temporary differences are recognised provided that it is probable that sufficient future positive taxable income will be available to offset these assets, unless the differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and which at the time of the transaction affects neither accounting profit nor taxable profit.

Tax planning opportunities are considered in assessing the recoverability of deferred tax assets only if the Group intends to avail itself of them or is likely to do so. Deferred tax assets and liabilities are measured at the tax rates expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws in force or approved and pending publication and having considered the tax consequences that would follow from the manner in which the Group expects to recover the assets and or settle the liabilities.

The Group only offsets the income tax assets and liabilities if there is a legal right to do so before the tax authorities and it has the intention to settle the resulting amounts for their net amount or 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 realisation or settlement.

4.9.1 Special SOCIMI Scheme

This is an optional Scheme Governed by Law 11/2009 of 26 October, amended by Law 16/2012. The option must be adopted by the General Shareholders' Meeting and must be communicated to the local office of the Tax Authority of the tax domicile of the entity, at least three months prior to the conclusion of the tax period. If performed before this deadline, the tax scheme will be applied to the tax period that finalises after said communication and in those following that conclude prior to the communication of the withdrawal from the scheme.

It is not compatible with any of the special schemes provided for in Title VII of the Consolidated Text of the Corporate Income Tax Act (TRLIS), except:

- Mergers, spin-offs, contributions of assets and swaps.
- International tax transparency
- Financial leasing

The tax scheme applicable to these entities takes into account the following considerations:

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1. The entities that opt for the application of the special tax scheme provided for in Law 11/2009, will be governed by that laid down by the TRLIS, notwithstanding the special provisions laid down by this Law:
 - Corporate Income Tax rate: 0%.
 - The offsetting of tax loss carryforwards is not applicable (Art. 25 TRLIS) in the event that they are generated when subject to a tax rate of 0%, neither are the tax deductions or credits established in Chapters II, III and IV of Title VI of the TRLIS.

Similarly, it must make any adjustment and pay tax in accordance with the general scheme for Corporate Income Tax in the case of non-compliance with the minimum period of three years (Art. 3.3 of Law 11/2009) or paying tax under a different scheme within Corporate Income Tax before completing the minimum period of three years.

2. The entity is subject to a special tax rate, it will be considered Corporate Income Tax due:
 - 19% of the amount paid in dividends or shares in profits distributed to the shareholders when the stake in the entity's share capital is equal to or greater than 5% and said dividends, at the headquarters of its shareholders are exempt, or are subject to a tax rate of less than 10%.
 - No application: when the shareholder receiving the dividend is an entity subject to this law (REITs).
 - Accrual: day of the resolution to distribute profits.
 - Self-assessment and payment: within two months from the accrual date.
3. The special tax rate will not be applicable when the dividend or shares in profits are received by non-resident entities referred to in Art. 2.1.b.) of this Law, with regard to those shareholders with a stake of 5% or more in the share capital of those and which are subject to a tax rate of at least 10%.
4. In any event, tax withholding will be applied to these dividends or shares in profits received by corporate income tax, non-resident income tax (with and without permanent establishment) and Spanish income tax payers, to whom the tax scheme provided for in Art. 10.1 of Law 11/2009 applies.

These must comply with several requirements which are detailed below.

Corporate Purpose

Their main corporate purpose must be:

1. The acquisition and development of real estate of an urban nature for lease.
2. The ownership of shareholdings in the capital of other REITs or in that of other non-resident entities in Spanish territory with the same corporate purpose as these or which are subject to a similar system with regard the distribution of profits.
3. The ownership of shareholdings in the capital of other entities resident or non-resident in Spanish territory, whose main corporate purpose is the acquisition of real estate of an urban nature for its lease (these cannot have shareholding in the capital of other entities) and which are subject to the same system relating to the distribution of profit and investment. The entirety of its capital must belong to other REITs or non-resident entities referred to in point 2 above.
4. The ownership of shares or shareholdings in Real Estate Collective Investment Institutions governed by the Law 35/2003 of 4 November, on CIIIs.

They may execute other ancillary activities (those that represent less than 20% of the income of

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the company in each tax period).

Investment

1. They must invest at least 80% of the value of the assets in:
 - real estate of an urban nature for leasing,
 - in land earmarked for real estate development provided that the development is initiated within a period of three years following acquisition
 - shareholdings in the capital or equity of other entities that have the same corporate purpose as the REIT.

2. Similarly, they must invest 80% of the income (excluding that deriving from the transfer of shareholdings and real estate both subject to the to the fulfilment of its main corporate purpose, once the maintenance period has elapsed), which must originate from:
 - the leasing of real estate for the purpose of complying with its main corporate purpose with persons or entities that do not form a group irrespective of the residency, and/or
 - dividends or shares in profits originating from shareholdings subject to the compliance with its main corporate purpose.

Minimum period of ownership or maintenance

In respect of the minimum period of ownership, both the real estate that forms the assets as well as the shares or shareholdings in the capital must be maintained for at least three years. In the case of real estate, this includes the time they have been offered under lease, up to a maximum of one year.

Obligation to be listed

The shares of the REIT must be admitted to trading on a Spanish regulated market or multilateral trading facility or in any other member State of the European Union or the European Economic Area or on a regulated market of any other country where there is an effective uninterrupted exchange of taxation information for the duration of the tax period.

Commercial Requirements

1. Minimum share capital of 5 million euros.
2. There can be only one class of shares.
3. When opting for this system, the term "SOCIMI S.A." must be included in the name, or without abbreviations.

Application of Results

Once they have fulfilled their corresponding commercial obligations, they will be obligated to distribute dividends and the profit obtained during the period in the following manner:

1. 100% of the profit originating from the dividends or shares in profits distributed by the entities whose main corporate purpose is that established in this Law.
2. 50% of the profit deriving from the transfer of real estate and shares or shareholdings after the maintenance periods have elapsed, for the purposes of compliance with its main corporate purpose. The remainder of these profits must be reinvested in other real estate or shareholdings subject to the period of three years since transfer.
3. 80% of the remainder of the profit obtained.

Similarly, it is necessary to take into account the following considerations:

- The dividend must be paid the month following the date of the resolution of its distribution.

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- The legal reserve cannot exceed 20% of the share capital.
- The articles of association cannot establish any other reserve of an unavailable nature other than the legal reserve.

4.10 Income and expenditure

Income and expenditure are recognised on an accrual basis, i.e., when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. This income is measured at the fair value of the consideration received, having deducted discounts and taxes.

The income deriving from the rendering of services is recognised by taking into account the degree of performance at the year-end when the amount of the revenue, the degree of performance, the costs already incurred and those to be incurred can be reliably measured and it is probable that the economic benefits deriving from the rendering of the service will be received. In the case of the rendering of services where the final result cannot be reliably estimated, the revenue is only recognised up to the limit of the costs recognised that are not recoverable.

In particular, rental income is recognised on an accrual basis. In the specific case of Barings Logroño, the profits are distributed during the lease period as an incentives item, as a minor income.

4.11 Transactions between related parties

Transactions between related parties are recognised at the fair value of the consideration given or received. The difference between the value and the agreed amount is recognised according to the underlying economic substance.

4.12 Provisions and contingent liabilities

Provisions are recognised when the Group companies have a present obligation, whether legal, contractual, implicit or tacit, as a result of a past event; that it is possible that there will be an outflow of resources that include future economic benefits for cancelling said obligations; and it is possible to make a reliable estimate of the amount of the obligation.

The amounts recognised in the consolidated balance sheet correspond to the best estimate at the year-end of the outgoings necessary to cancel the present obligation, once having considered the risks and uncertainties associated with the provision and, where significant, the financial effect caused by the imbalance, provided that the outgoings can be reliably determined.

The financial effect of the provisions are recognised as financial expenses in the income statement. The provisions do not include the tax effect, nor the expected earnings from the disposal or retirement of assets. In those cases in which the Group has outsourced the hedged risk to a third-party via a legal or contractual agreement, the provision is recognised exclusively for the part of the risk assumed. The provisions are reversed against profit and loss when it is unlikely that there will be an outflow of resources to cancel such an obligation.

As at 31 December 2018 and 2017 there are no contingencies that meet the characteristics for their consideration as provisions, therefore none are recognised on the liability side of the balance sheet, should there be any, these would be included in the notes to the financial statements, provided they are not considered as remote.

4.13 Assets of an environmental nature

Environmental assets are those used on a lasting basis in the Group's operations and whose

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main purpose is to minimise environmental impact and to protect and restore the environment, including the reduction or elimination of future pollution.

4.14 Financial information by segments

The information on the operating segments is presented in accordance with the internal information that is supplied to the most senior decision-making body, in this case, the Company's Board of Directors.

The geographic distribution has been identified as an operational segment.

Below follows the financial information by geographic segment for 2018 and 2017 (in euros).

4.14.1 Income statement

Financial year 2018	Madrid	Aragon	La Rioja	Castille La Mancha	Total
A) CONTINUING OPERATIONS					
Net turnover of the Company	980,009	1,643,988	8,738,772	2,415,817	13,778,585
Other operating income	-		126		126
Other operating costs	(287,307)	(302,661)	(4,218,066)	(366,050)	(5,174,084)
Depreciation of property, plant and equipment	(81,338)	(311,780)	(2,285,825)	(660,433)	(3,339,376)
Extraordinary income			35,093		35,093
OPERATING RESULTS	611,364	1,029,547	2,270,100	1,389,334	5,300,344
Finance costs	(584,450)	(654,586)	(3,885,842)	(1,434,087)	(6,558,965)
FINANCIAL RESULTS	(584,450)	(654,586)	(3,885,842)	(1,434,087)	(6,558,965)
PROFIT BEFORE TAX	26,914	374,960	(1,615,742)	(44,753)	(1,258,621)
Income tax	-	-			-
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	26,914	374,960	(1,615,742)	(44,753)	(1,258,621)
B) INTERRUPTED OPERATIONS	-	-	-	-	
Profit (loss) for financial year from discontinued operations net of taxes (Note 12)	-	-	-	-	
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	26,914	374,961	(1,615,742)	(44,753)	(1,258,621)

Financial year 2017	Madrid	Aragon	La Rioja	Castile-La Mancha	Total
A) CONTINUING OPERATIONS					
Net turnover of the Company	967,877	283,671.	530	1,440,179	2,692,257
Other operating costs	(329,131)	(44,383)	(78,029)	(360,030)	(811,573)
Other operating income				59,701	59,701
Depreciation of property, plant and equipment	(81,340)	(57,974)	(40)	(537,386)	(676,740)
Impairment and profits from fixed asset transfers	357,271	-	-	-	357,271
OPERATING RESULTS	914,677	181,314	(77,539)	602,464	1,620,916

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Finance costs	(584,207)	(147,058)	(30,614)	(1,174,773)	(1,936,652)
FINANCIAL RESULTS	(584,207)	(147,058)	(30,614)	(1,174,773)	(1,936,652)
PROFIT BEFORE TAX	330,470	34,256	(108,153)	(572,309)	(315,736)
Income tax	-	-	-	-	-
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	330,470	34,256	(108,152)	(572,309)	315,736
B) INTERRUPTED OPERATIONS	-	-	-	-	-
Profit (loss) for financial year from discontinued operations net of taxes	-	-	-	-	-
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	330,470	34,256	(108,152)	(572,309)	(315,736)

4.14.2 Cash flows by activity

Financial year 2018	Madrid	Aragon	Castile-La Mancha	La Rioja	Total
A) NET FLOW FROM OPERATING ACTIVITIES	(257,865)	1,477,798	(390,158)	2,876,802	3,706,576
B) NET FLOWS FROM INVESTING ACTIVITIES	-	-	-	(4,687,020)	(4,687,020)
C) NET FLOWS FROM FINANCING ACTIVITIES	(281,805)	(28,654)	513,853	4,117,683	4,321,077

Financial year 2017	Madrid	Aragon	Castile-La Mancha	La Rioja	TOTAL
A) NET FLOW FROM OPERATING ACTIVITIES	310,796	(7,196)	1,219,685	425,056	1,948,341
B) NET FLOWS FROM INVESTING ACTIVITIES	(195,207)	(18,208,023)	(35,521,908)	(98,518,827)	(152,443,965)
C) NET FLOWS FROM FINANCING ACTIVITIES	449,307	18,457,563	37,752,083	98,719,062	155,378,015

4.14.3 Assets and liabilities

Financial year 2018	Madrid	Aragon	La Rioja	Castile-La Mancha
ASSETS	22,094,591	19,406,689	66,203,568	37,269,656
LIABILITIES	(14,743,708)	(12,704,503)	(82,735,729)	(24,680,726)

Financial year 2017	Madrid	Aragon	La Rioja	Castile-La Mancha
ASSETS	22,312,007	18,570,420	24,166,678	37,398,733
LIABILITIES	(15,098,053)	(12,211,544)	(78,736,771)	(25,278,905)

4.14.4 Customers

The customers at Group level with more than 10% of turnover at the 2018 year-end are as follows:

- a. CEVA Logísticas España S.L. (B79271615) with 17% of the turnover for 2018
- b. CECOSA Supermercados S.L. (B95390761) with 12% of the turnover for 2018

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4.14 Equity

The share capital is represented by ordinary shares. When any Group Company acquires shares in the Company (treasury shares), the consideration paid, including any directly attributable incremental cost, is deducted from equity until its cancellation, re-issue or disposal. When these shares are sold or later re-issued, any amount received, net of any incremental cost of the transaction that is directly attributable, is included in the equity.

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

5. Business combinations versus Acquisition of assets and liabilities

The acquisition by the Parent Company (acquiring company) of the control in a Subsidiary (acquired company) constitutes a business combination in which the Parent Company has acquired control of all the equity elements of the Subsidiary.

Recognition and Measurement Rule 19 of the General Accounting Plan, expressly established to regulate the accounting treatment of the business combinations and which is in turn closely related to the NOFCAC, establishes the principles applicable to all the business combinations irrespective of their legal form, (sale and purchase, merger, spin-off, monetary contributions). Thus, it establishes the definition of business as the combined set of activities and assets likely to be directed and managed for the purposes of providing a return, less costs and other economic benefits directly to its owners.

In this sense, and taking into consideration the above mentioned description, it is considered that in none of the following situations has the Parent Company acquired a business:

1. The Parent Company acquires the control of a Subsidiary that does not perform any economic activity until the moment of the sale and purchase. Once the Subsidiary is obtained, it is the Subsidiary that obtains an asset (whether this is offices or premises) with the aim of leasing them to third-parties, this being the moment giving rise to the business that will provide financial returns to the Parent Company. This is the case of Barings Madrid, Barings Plaza and Barings Toledo.
2. The Parent Company acquires the control of a Subsidiary already carrying on an economic activity, in this case the leasing of several spaces available of the assets that this Company owns (Shopping Centre). Notwithstanding, in spite of the existence of said business, on the same date as the sale and purchase the management of the asset is assigned to one of the Group companies, Barings Real Estate LLP through its Branch in Spain, this being the reason why it is not considered to be the acquisition of a business but rather an asset whose financial returns will be managed by the associated company. This is the case of Barings Logroño.

The purchases of assets carried out by the Parent Company are the following:

Financial year 2016

- On 4 July 2016, the Parent Company acquired 100% of the shares in the Company Posinadan S.L. comprising 3,000 shares with a par value of 1 euro for a total of 3,000.00 euros. The name of the Company was later changed to Barings Core Madrid S.L.

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Financial year 2017

- On 3 February 2017, the Parent Company incorporated the Company Barings Core Toledo S.L., comprising 3,000 shares with a par value of 1 euro for a total of 3,000.00 euros.
- On 25 July 2017, the Parent company acquired 100% of the shares of the company Tezopan S.L. (Sole Proprietorship), comprising a total of 3,000 shares at one euro par value, for a total of 5,000.00 euros, giving a goodwill fund of 2,000.00 euros. The name of the Company was later changed to Barings Core Plaza, S.L.
- On 29 December 2017 the Parent Company acquired 100% of the shares the Company Barings Core Logroño, S.L. (formerly RPFÍ Activos Inmobiliarios S.L.), comprising 698,098 equity interests with a par value of 1 euro each one for a total of 65,304,986 euros, plus an amount of 735,034 euros corresponding to the costs related to the acquisition of said company.

Taking into account that said acquisitions are not considered business combinations, the operations have been accounted for as follows:

The amount of the consideration must equal the resulting book value after analysing the fair value of the assets and liabilities as well as any other discount or adjustment agreed between the parties.

The purchase agreement establishes that the initial consideration paid by for the shareholdings acquired on 29 December 2017 will be adjusted according to the loss or gain in the book value after the close of the financial year. Below follows the detail of the measurement and comparison with the considerations agreed between the parties:

Assets - fair value	104,012,277
Liabilities - fair value	(33,805,034)
Book value	70,207,243
Discount and other adjustments (capital gains tax, prorata equities)	(4,902,831)
Amount payable for the acquired shareholdings	65,304,412
Initial consideration	(64,110,491)
Adjustment to initial consideration	(1,194,495)
Total consideration	(65,304,986)

The initial consideration totalled 64,110,490.50 euros and after the close of the financial year, the adjustment of the initial price agreed by the Parent Company and the previous owner of Barings Core Logroño S.L. amounted to 1,194,495 euros, which was paid during the first half of 2018.

The calculation of the shares was established in detail in the purchase-sale agreement signed by both parties, and as is detailed in the top table, it would be the difference between the fair value of assets and liabilities from which the latent capital gains and the unpaid elements, interests and other costs generated between the date of acquisition of the shares (29/12/2017) and the end of the financial year would be subtracted.

Financial year 2018

- On 6 February 2018, the Parent Company acquired the Company Barings Core Logroño PFS, S.L. which later acquired the service station located on the "Berceo" shopping centre in Logroño.

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6. Property investments

The breakdown of the operations carried on by the Parent Company in relation to the real estate investments, which at the close of the financial year 2018 totalled 172,910,136 euros and which form the main purpose of the Group's activities, are:

- On 4 July 2016, the Parent Company acquired the Company Barings Core Madrid S.L., and then acquired a premises located at calle Velazquez 64, in Madrid, which was acquired via a sale deed on 5 July 2016. This investment is recognised in the books for the value of 21,956,290 euros which correspond to both the value of the real estate and the costs associated with said acquisition.
- On 3 February 2017, the Parent Company incorporated the Company Barings Core Toledo S.L., which then acquired a warehouse located in the "Dehesa de la Plata I" sector in Ontigola, in the province of Toledo, via a real estate sale deed on 9 March 2017. This investment is recognised in the books for the value of 35,568,637 euros which correspond to both the value of the real estate and the costs associated with said acquisition.
- On 26 July 2017, the Parent Company acquired the Company Barings Core Plaza S.L., which then acquired a Logistics warehouse located at calle Boletum, number 8, in the province of Zaragoza, on 24 October 2017. This investment is recognised in the books for the value of 18,015,823 euros which correspond to both the value of the real estate and the costs associated with said acquisition.
- On 29 December 2017, it acquired the Company Sociedad Barings Core Logroño S.L. (Note 5), which, at the date of acquisition, was already the owner of the Berceo Shopping Centre in the province of La Rioja. The properties owned by the group located in the Berceo Shopping Centre are mortgaged in guarantee of the loan referred to in note 8.3 of these Notes to the financial statements.
- On 29 December 2017, the Parent Company acquired the premises "Oval" for the amount of 400,000 euros, which is also located in the Berceo Shopping Centre in the province of La Rioja.
- On 6 February 2018, the Parent Company acquired all the shareholdings of the Company Plenasa ITG S.L. It then changed the company name to Barings Core Logroño PFS S.L., which on 26 February 2018 acquired a petrol station, located in the "Berceo" Shopping Centre, in Logroño (La Rioja). The amount corresponding to the purchase of this asset totalled 3,886,434.00 euros.

The Group Companies, at least at the close of each financial year revise the fair value, useful life and valuation methods of the real estate.

The property investments do not present an impairment as at 31 December 2018 or at 31 December 2017. The real estate investments of the Company correspond to urban properties destined for lease (Note 7).

The Group takes out insurance policies to cover the possible risks to which its real estate investments are exposed.

Each year, or when any circumstance so requires, the Management reviews the cover and risks covered and agrees the amount that must be reasonably covered for the following year.

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The breakdown and changes in this heading of the consolidated balance sheet for the year ended 31 December 2018 and 2017 is as follows:

Financial year 2018

2018	Initial Balance	Additions or Resources	Final balance
COST			
Investments in land and natural assets	26,955,315		26,955,315
Investments in constructions	129,443,873	4,036,979	133,480,852
Technical plant	3,696,328		3,696,328
Other plant	4,800,495		4,800,495
Moveables	222,229		222,229
Transport elements	722,200		722,200
Other tangible assets	6,869,254		6,869,254
Fit Out in progress	219,450		219,450
Total cost	172,929,144	4,036,979	176,966,123
DEPRECIATION			
Buildings	(716,611)	(3,339,376)	(4,055,987)
Total Depreciation	(716,611)	(3,339,376)	(4,055,987)
IMPAIRMENT	-	-	-
TOTAL REAL ESTATE INVESTMENTS	172,212,533	697,603	172,910,136

Financial year 2017

	Initial Balance	Additions or Resources	Additions on consolidation (*)	Final balance
COST				
Land	17,933,033	9,022,282	-	26,955,315
Buildings	4,064,109	100,740,676	41,169,044	145,973,829
Total cost	21,997,142	109,762,958	41,169,044	172,929,144
DEPRECIATION				
Buildings	(39,871)	(676,740)		(716,611)
Total Depreciation	(39,871)	(676,740)		(716,611)
IMPAIRMENT	(357,271)	357,271		-
TOTAL REAL ESTATE INVESTMENTS	21,600,000	109,443,489	41,169,044	172,212,533

*Additions on consolidation will begin to be depreciated on 1 January 2018, due having been incorporated on 29 December and there being no significant depreciation expense from this date to 31 December 2017.

7. Leases

The property investments are leased to third-parties through operating leases. The lease agreements have terms of between 1 and 16 years, there being no contingent derivative amounts. All the real estate investments of the Consolidated Group generate income from these leases.

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The most relevant information concerning the real estate included in the real estate investments heading, as at the close of 2018 and 2017 is as follows:

- Distribution of real estate in Spain:

	2018		2017	
	Commercial premises	Industrial warehouses	Commercial premises	Industrial warehouses
Aragon				
<i>Zaragoza</i>	-	1	-	1
Community of Madrid	1	-	1	-
Castile-La Mancha				
<i>Toledo</i>	-	1	-	1
La Rioja				
<i>Logroño</i>	3	-	2	-

- Use (gross leasable area) of the real estate investments by square metre:

	SQUARE METRES	
	2018	2017
Offices - Commercial Premises	76,337	75,977
Industrial Warehouses	99,620	99,620
Stores - Parking spaces	397	397

- Income and expenditure generated by the real estate investments:

The income deriving from the leasing of real estate investments owned by the Company amounted to 13,778,585 euros and 2,692,257 euros (Note 13.1), in 2018 and 2017 respectively. For its part, other operating costs amounted to 5,174,084 euros and 811,573 euros), in 2018 and 2017, respectively.

- The detail of the future collections for operating leases of the Group (non-cancellable) is as follows:

Operating leases: Lessor information	2018	2017
Future minimum collections from non-cancellable operating leases		
_ Up to one year	11,271,040	10,894,810
_ Between one and five years	32,365,062	35,820,814
_ More than five years	47,841,308	43,560,878

The obligations referring to maintenance improvements and constructions varies depending on each company, with the most significant being the case of Barings Logroño and Barings Plaza. In the case of Berceo, the Shopping Centre owned by Barings Logroño in La Rioja, monetary contributions are being made to the lessees ("Fit out") in order to perform constructions and improvements at the Shopping Centre with the aim to facilitate the entry of different operators. Barings Plaza has Eroski as a lessee, which assumes any costs deriving from improvement works or maintenance constructions.

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8. Financial Instruments

8.1. Non-current financial assets

According to the classification established by the GAP in its rules governing recognition and valuation for financial assets, the Company maintains the following non-current balances as at the close of the 2018 and 2017 financial years (in euros).

Categories/Classes	Loans, Derivatives and Others	
	2018	2017
Bonds provided	1,652,295	1,652,295

The amount recognised as “Bonds provided” under this heading corresponds to the deposit made before the official bodies of the amounts delivered as bonds by the lessee for the real estate belonging to the Parent Company and subsidiaries.

8.2 Current financial assets

According to the classification established by the GAP in its rules governing recognition and valuation for financial assets, the Company maintains the following current balances as at the close of the 2018 and 2017 financial years (in euros).

Categories/Classes	Loans, Derivatives and Others	
	2018	2017
Customers	651,580	467,131

Valuation adjustments

The balance for Customers includes a valuation adjustment due to impairment of 165,747 euros corresponding to the Company Barings Core Logroño S.L, which has not changed since the acquisition of this Company. The movements in these adjustments are as follows:

Initial Balance	(165,747)
Net Reversal/(Provisions)	-
Final balance	(165,747)

8.3 Long-term financial liabilities

According to the classification established by the GAP in its rules governing recognition and valuation for financial liabilities, the Company maintains the following non-current balances as at the close of the 2018 and 2017 financial years (in euros).

Categories/Class	Derivatives and others	Derivatives and others
	2018	2017
Bank borrowings	37,926,024	37,863,424
Other financial liabilities	2,612,869	1,946,060
Non-current amounts owed to group companies and associates	88,816,985	86,202,053
Total	129,355,878	126,011,537

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The breakdown of the balances forming the heading “Non-current financial liabilities” is as follows:

Bank borrowings

- a) On 5 September 2016, a loan was granted in the amount of 6,480,000 euros by BANKINTER S.A. to the Subsidiary Core Madrid S.L.. The agreed interest rate is a fixed rate of 1.30%. It matures 7 years after the date the loan is granted, in other words, on 4 August 2022. This loan agreement establishes the non-compliance with the LTV ratio, **which has a limit of 50%**, as grounds for the maturity of the loan.

The amount at amortised costs of this loan at 31/12/2018 amounts to €6,403,808.22.

On 31 December 2018, the Company had an LTV ratio of 30%, thus complying with the requirements set forth in the agreement.

- b) On 29 December 2017, the renewal of the Mortgage Loan (Note 6) for the amount of 31,740,000 euros was signed, granted by ING REAL ESTATE FINANCE E.F.C. S.A to the Subsidiary Barings Core Logroño S.L. It matures 12 years from the date of signing. An extension of 5 years to the maturity date was later agreed via renewal deed 1274. The agreed interest rate is a fixed rate of the Euribor + 1.35%.

The amount at amortised cost of this loan at amortised cost of this loan at 31/12/2018 amounts to €31,522,215.56.

Furthermore, the loan establishes certain financial ratios that the Company must fulfil during the validity thereof, and in the case of breach, the lenders will be able request the early partial amortisation of the principal necessary to comply with said ratios.

The ratios established in the loan agreement are the following:

LTV = Mortgage amount / Shopping Centre Appraised Value < 60%

ICR = EBIT / Interest expenses > 3.00x

As at 31 December 2018, the Company complies with both ratios as indicated in the following table:

	Limit	Ratio 2018
LTV	60%	29%
ICR	3.00x	13.74

The parties further agreed to include new obligations in respect of the occupancy of the real estate. Therefore, a new clause was agreed:

Financial occupancy rate > 85%

The calculation for analysing the compliance with said rate is as follows:

$$1 - \frac{\text{Annual estimated rents from vacant premises}}{\text{Rents agreed including vacant premises}} \geq 85\%$$

The company scores 99% for this financial occupancy rate as at 31 December 2018, therefore complying with the established rate.

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Other financial liabilities

The items that form the balance of the heading “Other financial liabilities” are as follows.

- a) Long-term deposits, with a balance of 128,507 euros as at 31 December 2018 (137,363 euros in 2017).
- b) Bonds received for the amount of 1,834,321 euros in 2018 and 1,808,697 in 2017.

The Group of Companies is obligated to deposit at least 90% of the bonds received from its lessees with specific Official Institutions. (Note 3.4.1).

- c) Long-term derivative liabilities for an amount of €650,041 in 2018.

On 14 February 2018, the Company Barings Core Logroño S.L. contracted a derivative with the bank ING Bank NV with maturity on 29 December 2022, with the fixed interest rate payable by the company being 0.5% and charging a six-monthly Euribor. The loss generated by the swap valuation has been recognised in the income statement for an amount of 650 thousands of euros. Likewise, during 2018, 233 thousands of euros have been recognised (Note 13.3) in the income statement corresponding to interests.

(Thousands of euros)	2018		2017	
	Notional	Fair Value	Notional	Fair Value
Interest rate financial swap ING Bank	31,740	(650)	-	-
	31,740	(650)	-	-

The fair values of these financial instruments are reflected in financial liabilities at 31 December as follows:

(Thousands of euros)	2018	2017
Non-current borrowings - derivatives	(650)	-
	(650)	-

Borrowings from group companies and associates

The balance of this heading mainly includes the principal of the loans granted by the Company Barings European Core Property Fund Topco S.C.A. to the Parent Company Barings Core Spain S.L.U. and its Subsidiaries (Note 14)

The interest accruing on a quarterly basis for these loans is recognised as a current liability (Note 9.4).

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8.4 Current financial liabilities

According to the classification established by the GAP in its rules governing recognition and valuation for financial liabilities, the Company maintains the following current balances as at the close of the 2018 and 2017 financial years (in euros).

Categories/Class	Derivatives and others	
	2018	2017
Bank borrowings	168,041	59,248
Other financial liabilities	30,191	1,659,646
Borrowings between related parties (note 14.1)	3,244,193	1,750,358
Trade and other payables	1,095,803	1,377,923
Total	4,538,228	4,847,175

*Excluding Payables to Public Administrations

At the close of the financial year 2018, the amount for bank borrowings corresponds to the interest pending payment of the loans arranged by the Company, as well as the amount of principal to be amortised over the following 12 months.

The balance detailed under the heading “Trade and other payables” includes the amounts pending payment with creditors for trade operations and any other balances pending payment to a group company (Note 14), Barings Real Estate LLP, Sucursal en España, for the services rendered for “asset management” during 2018 and 2017.

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

The company has implemented the necessary mechanisms to control the exposure to changes in the interest rates as well as credit and liquidity risk. The main financial risks that the Company faces are detailed below:

- a) Credit risk: The credit risk of the Company is attributable mainly to Lease debts. The operating leases held by the Company contemplate advance payment of the rents, therefore this risk is not significant. Furthermore, the Company keeps its cash and equivalent liquid assets in banks with high credit ratings.
- b) Liquidity risk: In order to guarantee liquidity and be able to attend to all payment commitments derived from its activity, the Company has the liquid assets shown in its balance sheet.

The Company estimates that the occupancy rate of the leased assets and the capacity for generating cash from these rentals will permit the adequate management of the working capital throughout 2018. Whereas the quality of the real estate investments and the adequate debt ratio over the market value of its assets will allow it to suitably finance its operations in the medium-term.

- c) Interest rate risk: The fluctuations in the interest rates changes the fair value of those assets and liabilities that accrue a fixed interest rate of interest as well as the future flows of the assets and liabilities referenced to a variable interest rate.

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9. Cash and cash balances

The Company has the following cash balances at the close of 2018 and 2017 (in euros).

	2018	2017
Cash and cash equivalents	8,607,013	5,266,379

All the cash owned by the Group Companies is freely available and is used to settle the payment obligations of both the Parent Company and the Subsidiaries (Note 8.3).

10. Equity

10.1 Share Capital

At year-end 2016, the Parent Company's share capital came to 5,003,000 euros represented by 5,003,000 fully subscribed and paid-in shares with a par value of 1 euro each, all of the same class. In 2017 and 2016, the Company was wholly owned by Barings Core Fund Spain S.à.r.l. with registered office in Luxembourg (Note 1.1).

On 8 March 2017, the Sole Shareholder agreed to increase the share capital to the amount of 17,750,306 euros through the issue of 12,747,306 new shares with a par value of 1 euro, numbered 5,003,001 to 17,750,306. All with no share premium.

On 11 October 2017, the Sole Shareholder agreed to increase the share capital to the amount of 24,076,106 euros through the issue of 6,325,800 new shares with a par value of 1 euro, numbered 17,750,307 to 24,076,106, all with no share premium. The creation of these shares was performed with no share premium.

On 28 December 2017, the Sole Shareholder agreed to increase the share capital to the amount by 23,112,698 euros up to the amount of 47,188,804 euros, through the issue of 23,112,698 new shares with a par value of 1 euro, numbered 24,076,107 to 47,188,804, both inclusive. These shares were created with no share premium.

On 2 March 2018, the Sole Shareholder agreed to increase the share capital by the amount of 1,413,040 euros to the amount of 48,601,844 euros through the issue of 1,413,040 new registered shares with a par value of 1 euro, numbered 47,188,805 to 48,601,844, both inclusive.

As a result, as at year-end 2018, the Parent Company's share capital came to 48,601,844.00 euros represented by 48,601,844 fully subscribed and paid-in shares with a par value of 1 euro each, all of the same class, with the same voting and economic rights as those in circulation.

10.2 Legal reserve

In accordance with the Spanish Corporate Enterprises Act, the limited liability company must allocate a figure equal to 10% of the year's profits to the legal reserve until this reaches at least 20% of the share capital.

The legal reserve can only be used to increase the share capital. With the exception of the aforementioned purpose, this reserve can only be allocated to offset losses provided that there are no other sufficient reserves available for this purpose. Pursuant to Law 11/2009, regulating Real Estate Investment Trusts (REITs), the legal reserve of the Companies that have opted for the application of the special tax scheme established in this Law cannot exceed 20% of the share capital. Similarly, the articles of association of the Company cannot establish any other reserve of an unavailable nature other than the former.

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At 31 December 2018 and 2017, the legal reserve of the Parent Company was not fully established.

10.3 Share premium

On 7 September 2016, the Parent Company agreed to a capital increase with the creation of new shares with a total share premium of 2,778,562.75 euros. In 2018 and 2017 there was no resolution to issue shares with a share premium.

10.4 Distribution of dividends

Given its condition as a REIT, the Company is obligated to distribute the profit obtained in the year in the form of dividends to its shareholders once the corresponding commercial obligations have been met, pursuant to the provisions of article 6 of Law 11/2009 of 26 October 2009, governing the Real Estate Investment Trusts (REITs).

11. Information on deferred payments to suppliers. Additional provision three. "Duty of information" of Act 15/2010, of 5 July

Below, the information required by the Third Additional Provision of Act 15/2010, of 5 July (amended through the Second final provision of Law 31/2014, of 3 December) is detailed below, prepared according to the ICAC (Spanish Institute of Accounting and Audit) Resolution of 29 January 2016 on the information to include in the annual accounts report in relation to the average payment period to suppliers in commercial transactions.

	Days	
	2018	2017
WAPT (days) for payments	33	32
Ratio of transactions paid	25	31
Ratio of outstanding payments	83	40
	Amount (euros)	
Total payments made	154,997,424	1,172,629
Total payments pending	89,216,264	244,777

In accordance with the ICAC Resolution, the calculation of the average payment period to suppliers was based on trade transactions involving the delivery of goods or the rendering of services from the date of entry into force of Law 31/2014, of 3 December.

Suppliers are considered, for the exclusive purposes of giving the information stipulated in this Resolution, the commercial creditors for debts with suppliers of goods or services, included in the "Suppliers" and "Sundry debtors" entries of current liabilities of the balance sheet, excluding invoices pending receipt. It should also be noted that the standard does not include in its scope of application the creditors or suppliers that do not fulfil the above-mentioned condition, also excluding suppliers of fixed assets or creditors due to finance leasing transactions.

"Average period for payment to suppliers" is understood as the period which elapses from the delivery of the goods or provision of the services in the suppliers' charge and the material payment of the transaction. This "Average period for payment to suppliers" is calculated as the ratio of transactions paid times the total amounts of payments made plus the ratio of outstanding payments and the total amount of outstanding payments, divided by the total amount of payments made plus the total amount of outstanding payments.

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The ratio of transactions paid is calculated as the ratio of the amounts paid times the number of payment days (difference between the calendar days passed since the end of the maximum legal payment period until the payment for the transaction) divided by the total of payments made. Similarly, the ratio of transactions pending payment corresponds to the ratio of the total of the amounts pending payment times the number of days pending payment (difference between calendar passed since the maximum legal period for payment until the close of the financial year), divided by the total payments outstanding.

The maximum legal payment period applicable to the Company in financial year 2018 according to Law 3/2004, of 29 December, whereby measures to combat late payment in commercial transactions are established, is 30 days as of the publication of said Act and until the present (unless the conditions established therein are fulfilled, which would allow the maximum payment period to be increased raised to 60 days).

12. Public Administrations and fiscal position

12.1 Balances with Public Administrations

The breakdown of the balances with Public Authorities is as follows (in Euros):

	2018	2017
VAT payable	508,695	390,753
Withholdings payable	1,224	3,169
Tax Authorities, Income Tax payable	72,439	72,439
Total balance payable	582,358	466,361
Tax Authorities, VAT/IGIC (Canary Islands Tax) receivable	275,457	-
Withholdings receivable	562,921	520,964
Total balance receivable	838,378	520,964

12.2 Conciliation of accounting result and tax base

The reconciliation between the income and expenses for the financial year and the Corporate Income Tax is as follows:

	Euros
Consolidated accounting result of the period	(1,258,620.85)
Consolidation adjustment:	1,148,588.69
Accounting base of the tax	(110,032,16)
Adjustments to the Accounting Base	
Of individual companies	(309,979.96)
Temporary differences:	-
Taxable income	(420,012.12)

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	Euros	
	2018	2017
Pre-tax result	(1,258,620.85)	(315,737)
Taxable income	(1,258,620.85)	(315,737)
Total Tax Due 0%	-	-
Accounts Payable/Corporate Income Tax expense	-	-

All rents for 2018 and 2017 comply with the requirements to fall under the REITs scheme, for which the tax rate is 0 (Note 1).

12.3 Years open for review and tax audits

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations has expired. At the close of 2018, the Group companies had the years 2018, 2017 and 2016 open to inspection with regard to all the taxes to which they are subject.

The Directors consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, any potential liabilities that could arise would not have a material effect on the accompanying financial statements.

12.4 Information requirements deriving from the condition of REIT, Law 11/2009, amended by Law 16/2012.

The Real Estate Investment Trusts (SOCIMI) are companies that are used as real estate investment vehicles and benefit from a special tax scheme regulated under articles 8 through to 13 of Law 11/2009 of 26 October, which establish the information obligations of this scheme which is included as Annex I attached to these Notes to the financial statements of which it forms a part.

13 Income and expenditure

13.1 Net turnover of the Company

The total net business turnover corresponding to 2018 and 2017 is broken down by activity as follows (in euros):

	2018	2017
Rental income	13,778,585	2,692,257

The breakdown by geographic area of the revenue from rentals during 2018 and 2017 is as follows (in euros):

	2018	2017
Aragon		
Zaragoza	1,643,987	283,671.
Community of Madrid	980,009	967,877
Castile-La Mancha		
Toledo	2,415,817	1,440,179
La Rioja		
Logroño	8,738,772	530
Total	13,778,585	2,692,257

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13.2 Other operating costs

The breakdown of the heading of this account at 31 December 2018 and 2017 is as follows (in euros):

	2018	2017
Repairs and conservation	32,638	-
Independent professional services	2,601,234	470,264
Insurance premiums	289,764	116,646
Bank costs	10,880	3,167
Other costs	1,844,028	46,622
Taxes	395,540	174,874
Total	5,174,084	811,573

The amount corresponding to the independent professional services heading includes the fees for external advisors for the provision of management services for the Group of companies taking into account that neither the Parent Company nor its Subsidiaries have their own personnel.

It also includes the costs deriving from the notary services provided, Commercial Registry, appraisal fees for the valuation of assets, etc.

13.3 Finance income and expenses

The finance costs detailed in the following balance at the close of 2018 and 2017 (in euros) are:

	2018	2017
Finance costs		
Third party borrowings	817,028	99,615
Borrowings from Group companies	5,091,896	1,837,037
Variation in the fair value of financial instruments	650,041	-
Total Financial Result	6,558,965	1,936,652

The finance costs that derive from borrowings with third-parties have been calculated using the effective interest rate method (Note 3.6).

The variation in fair value in financial instruments has been calculated as explained in note 8.3.

14 Transactions and balances with related parties

14.1 Balances with related parties

The amount of the balances with related parties in 2018 and 2017 is as follows (in euros):

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Financial year 2018

	Group companies	Parent company	Total
a) NON-CURRENT LIABILITIES			
1. Non-current borrowings			
a) Other non-current borrowings	88,816,985		88,816,985
B) CURRENT LIABILITIES			
1. Current borrowings			
a) Other current borrowings	32,324,193	12,000	32,336,193

Financial year 2017

	Group companies	Parent company	Total
a) NON-CURRENT LIABILITIES			
1. Non-current borrowings			
a) Other non-current borrowings	86,202,053		86,202,053
B) CURRENT LIABILITIES			
1. Current borrowings			
a) Other current borrowings	1,738,358	12,000	1,750,358

14.2 Related party transactions

The breakdown of the related party transactions during 2018 and 2017 is as follows (in euros):

	Group companies	
	2018	2017
Costs due to trade operations	719,369	222,729
Expenses for accrued interest but unpaid	1,493,835	1,738,358
Costs due to accrued and paid interest	2,824,408	94,296

The finance cost detailed in the operations with related parties corresponds to the accrued interest of the loans granted by Barings European Core Property Fund Topco S.C.A. to the Parent Company and Subsidiaries, detailed as follows:

- On 5 July 2016 a loan for the amount of 7,965,902.25 euros was granted to the Subsidiary Barings Core Madrid S.L. The agreed interest rate is a fixed rate of 6%. It matures 15 years after the date the loan is granted, in other words, on 5 July 2031.
- On 5 July 2016 an additional loan was granted to the Subsidiary company Barings Core Madrid S.L. for the amount of 6,480,000 with a fixed interest rate of 6%. The principal of said loan was returned on 19 October 2016, with only the accrued interest of this loan amounting to 114,480 euros pending payment and which was paid on 5 May 2017.

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- On 15 March 2017 a loan for the amount of 23,574,036.85 euros was granted to the Subsidiary Barings Core Toledo S.L. The agreed interest rate is a fixed rate of 6% and matures after 15 years from the date the loan is granted, in other words, 15 March 2032.
- On 9 October 2017 a loan for the amount of 11,738,531.14 euros was granted to the Subsidiary Barings Core Plaza S.L. The agreed interest rate is a fixed rate of 5.5% maturing 15 years after the date the loan is granted, in other words, on 9 October 2032.
- On 28 December 2017 a loan for the amount of 42,923,582.62 euros was granted to the Subsidiary Barings Core Madrid S.L. The agreed interest rate is a fixed rate of 5.5%. It matures 15 years after the date the loan is granted, in other words, 28 December 2033.
- On 16 February 2018 a loan for the amount of 2,614,932 euros was granted to the Subsidiary Barings Core Logroño PFS S.L. The agreed interest rate is a fixed rate of 5.5% maturing 15 years after the date the loan is granted, in other words, on 16 February 2034.

The loans in force at the date are summarised in the following table:

MONEYLENDER	INTEREST RATE	ESTABLISHMENT	MATURITY	PRINCIPAL
Barings Core Fund Madrid SL	6.00%	05/07/2016	05/07/2031	7,965,902.25
Barings Core Toledo, S.L.	6.00%	15/03/2017	01/02/2032	23,574,036.85
Barings Core Plaza, S.L.	5.50%	09/10/2017	09/10/2032	11,738,531.14
Barings Core Fund Logrono PFS	5.50%	16/02/2018	16/02/2033	2,614,932.00
Barings Core Spain S.L.	5.50%	28/12/2017	28/12/2032	42,923,582.62
Non-current borrowings with related parties				88,816,984.86

MONEYLENDER	PRINCIPAL AT 31/12/2018	INTEREST OUTSTANDING AT 31/12/2018
Barings Core Fund Madrid SL	7,965,902.25	80,986.67
Barings Core Toledo, S.L.	23,574,036.85	239,669.38
Barings Core Plaza, S.L.	11,738,531.14	493,181.35
Barings Core Fund Logrono PFS	2,614,932.00	24,769.21
Barings Core Spain S.L.	42,923,582.62	2,393,585.89
Non-current borrowings with related parties	88,816,984.86	3,232,192.50

MONEYLENDER	PRINCIPAL AT 31/12/2017	INTEREST OUTSTANDING AT 31/12/2017
Barings Core Fund Madrid SL	7,965,902.25	484,592.37
Barings Core Toledo, S.L.	23,574,036.85	1,080,476.70
Barings Core Plaza, S.L.	11,738,531.14	147,057.71
Barings Core Spain S.L.	42,923,582.62	26,231.08
Non-current borrowings with related parties	86,202,052.86	1,738,357.86

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14.3 Remuneration payable to Governing Body and Senior Management

The detail of the remuneration received during 2018 and 2017 is as follows:

	2018	2017
Remuneration payable to the Governing Body	20,746	12,250

In 2018 and 2017 the Directors were not granted any advances or loans, nor were any obligations undertaken on their behalf in the form of guarantees, nor were civil liability insurance premiums paid for damages caused through their actions or omissions while discharging their duties. Likewise, the Company has not contracted any obligations in respect of pensions or life insurance to previous or current Directors of the Company.

14.4 Information regarding director conflicts of interest.

At 31 December 2018 and 2017, Directors of the Company had not informed of any direct or indirect conflicts of interest, either with them or persons related to them, as defined in the Corporate Enterprises Act, who may have such with the interests of the Group.

15 Auditor fees

KPMG Auditores, S.L., the auditing company of the Group's financial statements, issued invoices during the years ending 31 December 2018 and 2017 for fees and charges for professional services, according to the following breakdown:

	Thousands of euros	
	2018	2017
Auditing services	27,500	34,400
	<u>27,500</u>	<u>34,400</u>

The amounts included in the above table include all the fees relating to the services carried out during the years 2018 and 2017, irrespective of when they were billed.

However, other auditors have issued invoices during the years ending 31 December 2018 and 2017 for fees and charges for professional services, according to the following breakdown:

	Thousands of euros	
	2018	2017
Auditing services	77,911	18,203
For other accounting verification services		
For tax consultancy services		
For other services		
	<u>77,911</u>	<u>18,203</u>

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16 Information on the environment

In 2018 and 2017 the Parent Company and the Subsidiaries did not carry out any investment of an environment nature for a significant amount.

It has not been considered necessary to recognise an allocation for environmental risks and expenses, nor are there any contingencies related to environmental protection or improvement.

17 Information on greenhouse gas emission rights

In 2018, there were no costs deriving from greenhouse gas emissions, nor has any amount been allocated or applied relating to provisions.

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Annex I - Information relating to the Company Barings Core Spain S.A.

Description	2018	2017
a) Reserves originating from financial years prior to the application of the tax legislation established in Law 11/2009, amended by Law 16/2012 of 27 December.	N/A	N/A
b) Reserves of each financial year during which the special tax regime established by the Law has been applicable <ul style="list-style-type: none"> • Profit from rentals subject to the general interest rate • Profit from rentals subject to the interest rate of 19% • Profit from rentals subject to the interest rate of 0% 	N/A	N/A
c) Dividends distributed with a charge to the profits of each financial year during which the special tax regime established by the Law has been applicable <ul style="list-style-type: none"> • Dividends from rentals subject to the general interest rate • Dividends from rentals subject to the interest rate of 18% (2009) and 19% (2010 to 2012) • Dividends from rentals subject to the interest rate of 0% 	N/A	N/A
d) Dividends distributed with a charge to reserves, <ul style="list-style-type: none"> • Distribution with a charge to reserves subject to the general interest rate. • Distribution with a charge to reserves subject to the interest rate of 19% • Distribution with a charge to reserves subject to the interest rate of 0% 	N/A	N/A
e) Date of agreement of the distribution of dividends referred to in letters c) and d) above	N/A	N/A
f) Acquisition date of the real estate earmarked for leasing which produce rentals subject to this special scheme.	NOTE 6	NOTE 7
g) Acquisition date of the shareholdings in the capital of entities referred to in section 1 of article 2 of this Law.	NOTE 5	NOTE 5
h) Identification of the asset which is counted within the 80% referred to in section 1 of article 3 of this Law	NOTE 6	NOTE 7
i) Reserves originating from financial years during which the special tax scheme established under this Law is applicable, which have been drawn down during the tax period, and not for distribution or for offsetting losses. The financial year from which said reserves originate must be identified.	N/A	N/A

At its meeting of the Directors of the Company Barings Core Spain, S.A., on 3th October 2019 and in compliance with the requirements set forth in the article 253 of the Consolidated Text of the Spanish Corporate Enterprises Act and in Article 37 of the Commercial Code, the Directors issued the consolidated financial statements and the consolidated management report for the year comprising 1 January 2018 to 31 December 2018. The consolidated financial statements included the attached documents that precede this text.

Board of Directors

Mr Carlos de Oya Jiménez

Mr Adolfo Favieres Ruiz

Mr Neil Kenneth Robertson

CONSOLIDATED MANAGEMENT REPORT
AS OF DECEMBER 31, 2018 DE BARINGS CORE SPAIN S.A.U.
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BARINGS CORE SPAIN S.A.U. is a holding company with participation in the capital of other listed public investment companies in the real estate market (“SOCIMIs”) and is controlled by the Barings Core Spain S.à.r.l. domiciled in Luxembourg.

The Company is the parent in a Group by owning shares of the subsidiaries. The Group, Barings Core Spain S.A.U. and Subsidiaries, closes the year 2018 with losses of 1,258,621 euros and 50,457,500 euros of operating profit. At the end of 2018, the direct participations in companies of the group of the dominant company are the following:

- 100% of the Spanish company Barings Core Madrid S.L.
- 100% of the Spanish company Barings Core Toledo S.L.
- 100% of the Spanish company Barings Core Plaza S.L.
- 100% of the Spanish company Barings Core Logroño S.L.
- 100% of the Spanish company Barings Core Logroño PFS S.L.

Subsidiary Companies have as main activity the acquisition and promotion of urban real estate assets for their lease.

- a) Barings Core Madrid S.L. owns a commercial premises located in Madrid with a book value of 21,835,078 euros.
- b) Barings Core Toledo S.L. owns two industrial buildings located in Toledo with a book value of 35,121,250 euros.
- c) Barings Core Plaza S.L. owns an industrial warehouse located in Zaragoza with a book value of 17,957,849 euros.
- d) Barings Core Logroño owns a shopping center in Logroño with a book value of 55,729,350 euros.
- e). Barings Core Logroño PFS has a gas station service station in Logroño with a book value of 3,901,812 euros.
- f). Barings Core Spain S.A.U. owns a property for restoration in Logroño with a book value of € 392,731.10

During 2018 the company acquired through Barings Core Logroño PFS S.L. a gas station service station in Logroño.

The Consolidated Group estimates to continue making investments in the real estate market in the coming years.

During 2018, the parent company and subsidiaries obtained a total income of € 13,778,585 compared to € 2,692,257 in 2017, mainly increased by the incorporation of Barings Core Logroño S.L. in December 2017 and Barings Core Logroño PFS S.L. in February 2018.

All the properties that were already owned in 2017 are still occupied by the same tenants during fiscal year 2018. As for the commercial center, the occupation has been 99.80% compared to 98% in fiscal year 2017.

Given its status as SOCIMI, the regime to which the Parent Company has been granted during 2016, the Parent Company started trading on Euronext Access Paris, a regulated trading market, during 2018, this being one of the requirements established by the Regulatory Law of SOCIMI.

Regarding the possible risks to which the Consolidated Group is subject, the main ones for the usual course of the operations of the consolidated group can be classified into two general typologies, following the criteria that are considered most appropriate for their efficient management.

The risk management policies of the Consolidated Group are established by the administrators.

a) Credit risk:

This risk is attributable to the possible loss caused by the breach of the contractual obligations of the counterparties of the Company and subsidiaries. That is, the possibility of not recovering financial assets for the amount accounted for and within the established term. For the management of this risk, the Consolidated Group periodically prepares a detail of the seniority of the balances receivable in order to have a basis for managing its collection. Overdue accounts are claimed on a monthly basis by the Property Managers of the Consolidated Group.

On the other hand, there is a market risk derived from variations in the fair value or in the cash flow futures of a financial instrument due to changes in market prices (interest rate, exchange rates, among others). In this regard, the main risk to which the Consolidated Group is exposed corresponds to the interest rate (it does not have exposure to fluctuations in exchange rates given that the Company's activities are carried out in euros, which is the functional currency of the Consolidated Group). To manage this risk, financing received from third parties is maintained at a fixed rate and, where appropriate, with a minimum of variable interest. In addition, to obtain this objective, the Company carries out hedging operations in the corresponding loans and that are exposed to greater risk.

b) Liquidity risk:

The liquidity risk derives from the possibility that either the Parent Company or the Dependent Companies may not have liquid funds or have access to them in sufficient amounts and at the appropriate cost to meet their payment obligations at all times. .

For the management of this risk, periodical monitoring of the available liquid and the short-term payment obligations derived from financing contracts or management contracts are carried out. Also, since the Parent Company and subsidiaries belong to a group, if necessary to solve possible liquidity needs, it is possible to receive financing from the Group to which it belongs.

c) Investment risk:

The group lessens the investment risk, doing so only in the values of the strongest companies and institutions by conducting thorough reviews and independent expert opinions such as property valuations, financial due diligence, etc. Likewise, it makes quarterly valuations of each and every one of the properties in order to monitor the evolution of its value.

Regarding the delinquency regulations, the Company has an average payment period to suppliers of 33 days.

Barings Core Logroño S.L. during 2018, contracted a derivative with maturity on December 29, 2022, with the ING Bank NV entity, being the fixed rate to be paid by the company 0.5% and to be charged a semi-annual Euribor.

Finally, in terms of research and development as well as in acquisitions of own shares, the Consolidated Group has not had any significant events or has not its own shares.

Madrid, 3 of October, 2019

Mr Carlos de Oya Jiménez

Mr Adolfo Favieres Ruiz

Mr Neil Kenneth Robertson