

INDEX

Note	Page
Consolidated balance sheet	1
Consolidated income statement	3
Consolidated statement of changes in net equity	4
Consolidated statement of cash flows (presentation by indirect method)	5
Notes to the consolidated annual accounts	
1 General information	6
2 Main accounting policies	8
2.1 Basis of presentation	9
2.2 Consolidation principles	10
2.3 Segment reporting	11
2.4 Transactions in foreign currency	12
2.5 Property, plant and equipment	13
2.6 Intangible assets	14
2.7 Impairment of non-financial assets	14
2.8 Financial investments	14
2.9 Inventories	15
2.10 Trade and other receivables	16
2.11 Cash and cash equivalents	16
2.12 Capital	16
2.13 Borrowings	17
2.14 Deferred taxes	17
2.15 Income tax and other taxes	17
2.16 Provisions	18
2.17 Recognition of income and expenses	18
2.18 Leases	19
2.19 Transactions with related parties	20
2.20 Distribution of dividends	20
2.21 Environment	20
2.22 Employee benefits	20
2.23 Derivative financial instruments and hedging operations	20
2.24 Trade and other payables	21
3 Finance risk management	22
3.1 Financial risk factors	22
3.2 Capital management	25
4 Accounting estimates and judgements	26
4.1 Fair value estimates	27
5 Segment reporting	27
5.1 Main format of presentation of segment reporting: business segments	27
5.2 Secondary format of presentation of segment reporting: geographic segments	28
6 Property, plant and equipment	30
7 Intangible assets	31
8 Investments in associates	32
9 Trade and other receivables	33
10 Derivative financial instruments	35
11 Financial assets available for sale/held to maturity	36
11.1 Financial assets available for sale	36
11.2 Financial assets held to maturity	36
12 Inventories	36
13 Cash and cash equivalents	38
14 Capital	38
14.1 Movement in number of shares	39
14.2 Movement in capital	39
14.3 Transactions with treasury shares	39
14.4 Transfer of shares	40
14.5 Share premium	40
14.6 Equity holders of the Company at 31 December 2008	41
15 Cumulative translation difference	41

Note		Page
16	Reserves and profit (loss) for the year attributed to the parent Company	42
16.1	Explanation of movements in reserves and retained earnings during the year 2007	42
16.2	Explanations of movements in reserves and retained earnings during the year 2008	44
16.3	Legal reserves	45
16.4	Other reserves of the Parent Company	45
16.5	Reserves en fully consolidated companies	45
16.6	Reserves en companies consolidated by equity accounting	45
16.7	Profit (loss) for the year	46
17	Trade and other payables	47
18	Borrowings	47
19	Deferred taxes	50
20	Revenue and other operating income	51
20.1	Revenue	51
20.2	Other operating income	51
21	Consumption of goods for sale	52
22	Asset depreciation and impairment losses	52
23	External services expenses and other taxes	52
23.1	External services expenses	52
23.2	Other taxes	53
24	Employee benefit expense	53
25	Operating leases	53
26	Net financial costs	54
27	Income tax	55
27.1	Consolidated taxation	56
27.2	Other matters	57
28	Net gains / (Losses) on exchange differences	58
29	Earnings per share	58
29.1	Basic	58
29.2	Diluted	58
30	Dividends per share	59
31	Cash generated from operating activities	59
32	Contingencies / provisions	60
33	Commitments	61
34	Balances and transactions with companies and related parties	62
34.1	Identification of companies and related parties	62
34.1.1	Members of the governing bodies of Renta Corporación Real State, S.A.	62
34.1.2	Key management of the Company	62
34.1.3	Control of the Board of Directors in the share capital of Renta Corporación Real State, S.A.	62
34.2	Sales of goods and provision of services and financial income	63
34.3	Purchases of goods, services received and financial expenses	63
34.4	Remuneration paid to the members of the Board of Directors of the Company	64
34.5	Remuneration of key senior management and administration	64
34.6	Balances at the year end due to sales and purchases of goods and services	65
34.7	Related shareholdings of the members of the Board of Directors	67
35	Share-based payments	68
36	Subsequent events	68
37	Other information	69
37.1	Average number of employees in the Group by job category	69
37.2	Auditors' fees and fees of their group companies	69
38	Environment	70
	Appendix I Subsidiary companies in the consolidation scope	72
	Appendix II Associates in the consolidation scope	72
	Directors' Report for 2008	73

RENTA CORPORACIÓN REAL ESTATE, S.A.
Consolidated Balance Sheet
(in Thousand Euros)

ASSETS	Note	At 31 December	
		2008	2007
Non-current assets			
Property, plant and equipment	6	63,743	66,914
Intangible assets	7	2,211	407
Investments in associates	8	407	11,495
Long-term accounts receivable	9	22,290	1,111
Derivative financial instruments	10	-	2,020
Financial assets available for sale	11.1	6,572	-
Deferred tax assets	19	41,425	583
Total non-current assets		136,648	82,530
Current assets			
Inventories	12	642,687	858,894
Trade and other receivables	9	41,862	122,555
Loans and payables with related parties	34	5	605
Current tax asset	27	-	10,558
Derivative financial instruments	10	-	90
Financial assets held to maturity	11.2	24,741	-
Cash and cash equivalents	13	2,311	2,737
Total current assets		711,606	995,439
Total assets		848,254	1,077,969

The accompanying notes on pages 6 to 69 form an integral part of these consolidated annual accounts.

RENTA CORPORATION REAL ESTATE, S.A.
Consolidated Balance Sheet
(in Thousand Euros)

LIABILITIES AND NET EQUITY	Note	At 31 December	
		2008	2007
Capital and reserves attributable to the equity holders of the Company			
Capital	14	105,448	105,448
Treasury shares	14	(6,003)	(5,570)
Cumulative translation difference	15	(6,726)	(2,096)
Retained earnings and other reserves	16	109,621	87,480
Profit (loss) for the year attributed to the parent Company	16	(111,532)	35,352
Total net equity		90,808	220,614
LIABILITIES			
Non-current liabilities			
Provision for liabilities and charges	32	3,869	3,936
Deferred taxes	19	7,687	11,505
Trade and other payables	17	3,313	9,613
Borrowings	18	-	548,605
		14,869	573,659
Current liabilities			
Trade and other payables	17	73,677	90,896
Borrowings	18	662,647	192,800
Derivative financial instruments	10	6,253	-
Total current liabilities		742,577	283,696
Total liabilities		757,446	857,355
Total net equity and liabilities		848,254	1,077,969

The accompanying notes on pages 6 to 69 form an integral part of these consolidated annual accounts.

RENTA CORPORACIÓN REAL ESTATE, S.A.
Consolidated Income Statement
(in Thousand Euros)

	Note	Year ended at 31 December	
		2008	2007
Revenue	20.1	244,133	529,107
Other operating income	20.2	19,736	15,765
Consumption of goods for sale	21	(312,400)	(432,632)
Employee benefit expense	24	(20,918)	(18,639)
Depreciation and impairment losses	22	(5,461)	(1,336)
External expenses	23.1	(45,596)	(29,577)
Other taxes	23.2	(5,186)	(6,730)
Consolidated operating profit (loss)		(125,692)	55,958
Net financial cost	26	(44,002)	(15,513)
Share in profits from associates	8	18,534	9,010
Consolidated profit (loss) before tax		(151,160)	49,455
Income tax	27	39,628	(14,103)
Consolidated profit (loss) for the year		(111,532)	35,352
Attributable to:			
Equity holders of the Company		(111,532)	35,352
Earnings/(losses) per share for the profit attributable to the equity holders of the Company during the year			
(in Euros per share)			
- Basic	29	(4.51)	1.42
- Diluted	29	(4.51)	1.42

The accompanying notes on pages 6 to 69 form an integral part of these consolidated annual accounts.

RENTA CORPORACIÓN REAL ESTATE, S.A.
Consolidated Statement of Changes in Net Equity
(in Thousand Euros)

	Notes	Attributable to equity holders of the Company				Total net equity
		Capital (Note 14)	Treasury shares (Note 14)	Cumulative translation adjustments (Note 15)	Reserves and profit (loss) for the year attributable to the parent Company (Note 16)	
Balance at 1 January 2007	10	105,448	(2,769)	(29)	101,239	203,899
Cash flow hedging instruments		-	-	-	2,110	2,110
- Gross		-	-	-	(633)	(633)
- Tax effect		-	-	-	-	(2,067)
Translation differences	15	-	-	(2,067)	-	(2,067)
Profit (loss) for the year	16	-	-	-	35,352	35,352
Total income and expenses for the year		-	-	(2,067)	36,829	34,762
Shares reserve plan	35	-	-	-	809	809
Acquisition of treasury shares	14.3	-	(3,328)	-	-	(3,328)
Sale of treasury shares	14.3	-	517	-	(26)	491
Dividend paid	16	-	-	-	(14,250)	(14,250)
Variation in investment in associates	16	-	-	-	(1,769)	(1,769)
Balance at 31 December 2007		105,448	(5,570)	(2,096)	122,832	220,614
Cash flow hedging instruments	10	-	-	-	(2,110)	(2,110)
- Gross		-	-	-	633	633
- Tax effect		-	-	-	-	-
Financial assets available for sale	11	-	-	-	1,002	1,002
- Gross		-	-	-	(301)	(301)
- Tax effect		-	-	-	(253)	(253)
Expense for capital increase of subsidiaries	15	-	-	(4,630)	-	(4,630)
Translation differences	16	-	-	-	(111,532)	(111,532)
Profit (loss) for the year		-	-	-	(112,561)	(112,561)
Total income and expenses for the year		-	-	(4,630)	(112,561)	(117,191)
Shares reserve plan	35	-	-	-	209	209
Acquisition of treasury shares	14.3	-	(960)	-	-	(960)
Sale of treasury shares	14.3	-	557	-	-	557
Dividend paid	16	-	-	-	(10,606)	(10,606)
Decrease in investment in associates	16	-	-	-	(1,785)	(1,785)
Balance at 31 December 2008		105,448	(6,003)	(6,726)	(1,911)	90,808

The accompanying notes on pages 6 to 69 form an integral part of these consolidated annual accounts.

RENTA CORPORATION REAL ESTATE, S.A.
Consolidated Statement of Cash Flows (indirect method presentation)
(in Thousand Euros)

	Notes	Year ended 31 December	
		2008	2007
Cash flows from operating activities			
Cash used in operations	31	139,077	(85,619)
Interest paid	26	(55,300)	(40,382)
Taxes (paid)/refunded	27	9,847	(28,663)
Net cash used in operating activities		93,624	(154,664)
Cash flows from investing activities			
Acquisition of property, plant and equipment	6	(1,075)	(66,870)
Income from the sale of property, plant and equipment	31	-	45
Acquisition of intangible assets	7	(2,048)	(308)
Acquisition of financial investments	9	(27,278)	-
Income from the sale of financial investments	31	24,804	151
Loans granted to related parties	34	-	(593)
Redemptions of loans granted to related parties	34	600	1,263
Deposits and guarantee deposits	9	(833)	(1,440)
Redemption of deposits and guarantee deposits	9	1,018	1,192
Interest received	26	10,529	2,426
Net cash (used in)/generated from investing activities		5,717	(64,134)
Cash flows from financing activities			
Acquisition of treasury shares	14.3	(990)	(3,328)
Disposal of treasury shares	14.3	557	491
Expenses for issues of ordinary shares of subsidiaries		(253)	-
Proceeds from borrowings	18	137,916	656,653
Repayment of borrowings	18	(226,029)	(424,102)
Dividends paid to equity holders of the Company	16	(10,606)	(14,250)
Net cash generated from financing activities		(99,405)	215,464
Movements not affecting cash and cash equivalents			
		(362)	-
Cash and cash equivalents at the beginning of the year	13	2,737	6,071
Cash and cash equivalents at the year end	13	2,311	2,737
Net (decrease)/increase in cash and cash equivalents		(426)	(3,334)

The accompanying notes on pages 6 to 69 form an integral part of these consolidated annual accounts.

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

1. General Information

Renta Corporación Real Estate, S.A. (hereon, the Company) is a real estate company which at the 2008 year end has a group (hereon, the group), made up of 18 companies: Renta Corporación Real Estate, S.A., as parent Company, 16 subsidiaries and 1 associate. Appendices I and II to the Notes to the Accounts include additional information on the companies in the consolidation scope.

For the purposes of preparing the consolidated annual accounts, a group exists when the parent company has one or more subsidiary companies over which it exercise control directly or indirectly. The principles applied in the preparation of the consolidated annual accounts of the group, and the consolidation scope are set out in Note 2.2.

On 15 March, 12 June and 1 August 2007 three companies were incorporated in Luxembourg: Tanit Corporation, S.à.r.l., Medas Corporation S.à.r.l. and Fedra, S.à.r.l., respectively, which means that they have formed part of the Group since that date.

On 9 July 2007, Renta Corporación Real Estate, S.A. incorporated the company Renta Corporation in the United States, which means that it has formed part of the Group since that date.

On 11 July, 18 July and 26 July 2007 Renta Corporation incorporated three companies in New York called RC1, LLC, RC2, LLC, RC III, LLC, respectively. Furthermore, on 19 October 2007 Renta Corporation incorporated two companies called RCIV, LLC and RCV, LLC, respectively, which means that they have formed part of the Group since that date.

On 6 May 2008 a resolution was recorded in a public deed that was adopted by the single shareholder on 12 March 2008 of Renta Corporación Real Estate O.N., S.A.U., Renta Corporación Real Estate R.A., S.A.U. and Renta Corporación Real Estate G.O., S.L.U. authorising the takeover merger by the former of the latter two companies, which were wound up, effective for accounting purposes retroactively as at 1 January 2008. Afterwards, the registered name of the merging Company was changed to Renta Corporación Real Estate ES, S.A.U.

During 2008 the shareholding percentage in the associate Mixta Africa, S.A. changed from 18.55% at 31 December 2007 to 4.55% at 31 December 2008, and, accordingly, together with the incorporation of new members on the Board of Directors of the investee company, the shareholding in this company has now been classified as a financial asset available for sale.

On 7 April 2008 the subsidiary company Renta 1001 (UK), Limited was incorporated.

The Luxembourg companies Norfeu, S.a.r.l. and Fedra, S.a.r.l. were merged with Renta Corporación Luxembourg, S.a.r.l., on 1 November 2008.

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

The other shareholdings in the companies in the consolidation scope have not undergone any variations.

The registered office of Renta Corporación Real Estate, S.A., by means of a resolution of the Board of Directors of 24 July 2007 has been changed to Vía Augusta, 252-260, Barcelona, and its Taxpayer ID nº is A-62.385.729.

The group divides its activity into three business units: residential, office and land as follows:

- **Residential.** Acquisition of residential buildings for transformation and later sale. This transformation may consist either of physical restoration of the building or technical and/or legal transformations, utilisation and uses, zoning laws, legal aspects, division or aggregation of buildings, and lease and profitability.
- **Commercial.** Acquisition of urban office or industrial buildings for their transformation and later sale. This transformation may consist of change of use, physical improvements to buildings and/or their improvement in asset profitability.
- **Land.** Acquisition of real estate complexes and land in urban centres of our main markets, for development and later sale, located mostly in Barcelona, Madrid and their areas of influence. The transformation phase consists in urban planning and management, necessary for carrying out the project most suitable to the needs of demand and the city. Renta Corporación commercialises land apt for later building.

The three business units carry out the same business and apply practically the same process, consisting of the acquisition of real estate assets for transformation and sale. This transformation process is aimed at creating value through the adaptation of buildings to the demands of each market. The business units differ based on the types of real estate assets acquired and the type of transformation applied in order to maximize the sale value.

These processes include acting on the different assets that make up real estate assets and their valuation, which are: physical condition, use, the rental situation and profitability, zoning laws, legal issues, division or aggregation of buildings, etc.

The Group operates mainly in the domestic market as well as in France, England, Germany and United States of America.

These consolidated financial statements were formulated by the Board of Directors on 25 March 2009.

No changes are expected to these Consolidated Financial statements as a result of their adoption by the General Meeting of Shareholders.

2. Accounting policies

Set out below we describe the main accounting policies adopted for the preparation of these consolidated annual accounts. These policies have been applied consistently across all the years presented, unless indicated otherwise.

Index of accounting policies

	<u>Page</u>
2.1 Basis of presentation	9
2.2 Consolidation principles	10
2.3 Segment reporting	11
2.4 Transactions in foreign currency	12
2.5 Property, plant and equipment	13
2.6 Intangible assets	14
2.7 Impairment of non-financial assets	14
2.8 Financial investments	14
2.9 Inventories	15
2.10 Trade and other receivables	16
2.11 Cash and cash equivalents	16
2.12 Capital	16
2.13 Borrowings	17
2.14 Deferred taxes	17
2.15 Income tax and other taxes	17
2.16 Provisions	18
2.17 Recognition of income and expenses	18
2.18 Leases	19
2.19 Transactions with related parties	20
2.20 Distribution of dividends	20
2.21 Environment	20
2.22 Employee benefits	20
2.23 Derivative financial instruments and hedging operations	20
2.24 Trade and other payables	21

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

2.1 Basis de presentation

The consolidated annual accounts have been prepared on the basis of the accounting records of Renta Corporación Real Estate, S.A. and consolidated companies and include the adjustments and reclassifications for homogenisation with the parent Company. These consolidated annual accounts of the group at 31 December 2008 have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the in the European Union and approved by the Regulations of the European Commission (IFRS-EU) and are in force at 31 December 2008.

The new standards and modifications that came into force on 1 January 2008 affecting the operations IAS-39 (revised) "Financial instruments: recognition and measurement", IFRS-7 (revised) "Financial instruments: information to be disclosed", IFRIC-14 "IAS-19: The limit on a defined benefit asset, minimum funding requirements and their interaction", IFRIC-11 "IFRS-2: Group and treasury share transactions", IFRS-8 "Operating segments" and IFRIC-12 "Service concession arrangements". At the date of formulation of these accounts, the European Union has not adopted the latter interpretation.

At the date of formulation of these accounts, the IASB and the IFRIC had published the standards, modification and interpretations set out below. These standards, modifications and interpretations are obligatory for all years beginning 1 January 2009, and thereafter: IAS-23 (revised) "Borrowing costs", IAS-1 (revised) "Presentation of financial statements", IFRS-2 "Share-based payments", IAS-32 (revised) "Financial instruments: presentation", IFRS-1 (revised) "First-time adoption of IFRS", IAS-27 (revised) "Consolidated and separate financial statements", IAS-39 (revised) "Financial instruments: recognition and measurement", IFRS-5 (revised) "Non current assets held for sale and discontinued activities", IAS-28 (revised) "Investments in associates", IAS-36 (revised) "Asset impairment", IAS-38 (revised) "Intangible assets", IAS-19 (revised) "Employee remuneration", IFRIC-15 "Agreements for the construction of real estate", IFRIC-16 "Hedges of a net investment in a foreign operation", IFRIC-17 "Distributions of non-cash assets to owners" and IFRIC-18 "Transfers of Assets from Customers". At the date of formulation of these accounts, the European Union had not adopted IFRIC-15, IFRIC-16, IFRIC-17 and IFRIC-18. The Group has analysed possible impacts on its financial statements at 31 December 2008 having concluded that there are no significant impacts.

The policies that are indicated below have been applied consistently across all the years that are presented in these consolidated annual accounts.

The consolidated annual accounts have been prepared in accordance with the historical cost method, modified in those cases set down by IFRS-EU in which certain assets and liabilities are stated at fair value.

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

The preparation of the consolidated financial statements under IFRS requires the use of certain critical accounting estimates. It also requires that the directors exercise judgement in the application of the accounting policies of the Group. Note 4 discloses the areas that involve a greater degree of judgement or complexity where the assumptions and estimates are significant to the consolidated financial statements.

The requirements of the above-mentioned standards have been fully applied, and therefore, the financial statements express fairly the assets, financial position and net income (loss) on operations of the Group.

The figures set out in the documents comprising these consolidated annual accounts (balance sheet, income statement of changes in net equity, statement of cash flows and notes to the annual accounts) are stated in thousand Euros and are comparative with last year.

The companies in the group close their financial year on 31 December and their accounts at that date are the ones used in the consolidation.

2.2 Consolidation principles

a) Subsidiaries

Subsidiary companies are companies over which the Group has the power to manage their financial and operating policies. It is assumed that control exists when the shareholding is higher than one half of the voting rights, unless control is limited by contractual agreements or other circumstances. In order to evaluate whether the Group controls another company the existence and the effect of the potential voting rights that are currently exercisable or convertible are taken into account.

The subsidiaries are consolidated as from the date on which the control of the company is transferred to the parent Company and they are excluded from the consolidation on the date on which this control no longer exists.

The intercompany transactions, balances and unrealised profits on transactions between group companies are eliminated. The unrealised losses are also eliminated, unless the transaction provides evidence of impairment loss of the asset transferred. When it is necessary to ensure the uniformity of the policies adopted by the Group, the accountings policies of the subsidiaries are modified.

Appendix I to these notes contains the information and details particulars of the subsidiaries in the consolidation scope that are fully consolidated.

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

b) Associates

Associates are all companies over which the Group exercises a significant influence when the shareholding of the associate represents between 20% and 50% of the voting rights and the respective representation on the governing bodies of the investee company. If the Group holds less than a 20% interest, it is classified as an associate provided that the Group exercise a significant influence on financial and operating decisions of the investee companies. Investments in associates are accounted for using the equity method and initially recognised at cost of acquisition.

The Group's share of its associates' post-acquisition profits or losses, and the gains and losses on the dilution of the shareholding, is recognized in the income statement. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any other unsecured receivable the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Associates' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Appendix II to these Notes contains the information and details of associates consolidated by the equity method.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

a) Primary format of segment reporting: business segments

- **Residential.** Acquisition of residential buildings for transformation and later sale. This transformation may consist either of physical restoration of the building or technical and/or legal transformations, utilisation and uses, zoning laws, legal aspects, division or aggregation of buildings, and lease and profitability.

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

- **Commercial.** Acquisition of urban office or industrial buildings for their transformation and later sale. This transformation may consist of change of use, physical improvements to buildings and/or their improvement in asset profitability.
- **Land.** Acquisition of real estate complexes and land in urban centres of our main markets, for development and later sale, located mostly in Barcelona, Madrid and their areas of influence. The transformation phase consists in urban planning and management, necessary for carrying out the project most suitable to the needs of demand and the city. Renta Corporación commercialises land apt for later building.

b) Secondary format of segment reporting: geographic segments

Following the criterion based on the location of assets.

- Domestic
- International

2.4 Transactions in foreign currency

a) Functional and presentation currency

Items in the financial statements of each Group company are stated using the currency of the main economic environment in which the company operates (functional currency). The consolidated financial statements are presented in Euros, which is the functional and presentation currency of the group, although shown in Thousand Euros for presentation purposes.

b) Transactions and balances

The transactions in foreign currency are translated to the functional currency using the exchange rates in effect on the dates on which they take place. The gains and losses in foreign currency arising from the settlement of these transactions and the translation to year end exchange rates of the monetary assets and liabilities denominated in foreign currency are recognized in the income statement, unless if they are differed in net equity as qualifying cash flow hedges.

c) Group companies

The net income and loss and financial position of Renta Properties (UK), Ltd. and Renta Corporation and its group companies, whose functional currency is different from its presentation currency, are translated to the presentation currency as follows:

- (i) The assets and liabilities of each balance sheet presented are translated at the year end exchange rate on the balance sheet date;

- (ii) The income and expenses of each income statement are translated at the average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the existing rates on the transition dates, in which case income and expenses are translated on the dates of the transactions); and
- (iii) All the resulting exchange differences are recognized as a separate item of net equity.

2.5 Property, plant and equipment

Property, plant and equipment are recognized at cost, including the expenses directly attributable to the acquisition, less the accumulated depreciation, and respective impairment.

Historical cost includes expenses directly attributable to the acquisition of the assets.

Costs of renovation, expansion or improvement of PPE are included in the carrying value of the asset when it is likely that the future economic profits related to the assets that are going to flow to the group and the cost of the asset can be determined reliably. The repairs and maintenance expenses are recorded in the income statement during the year in which they are incurred.

Depreciation is calculated using the straight line method in order to reduce their costs down to their residual values over their estimated useful lives. The depreciation rates applied are:

	Years
Buildings	35
Plant	10
Furniture	10
Computer hardware	4
Vehicles	6,25
Other property, plant and equipment	10 - 12

The assets residual values and the useful lives are reviewed and adjusted, as the case may be, at every balance sheet date.

When the carrying value of an asset is greater than its estimated recoverable value, its value is reduced immediately to its recoverable value (Note 2.7).

The gains and losses on the sale of property, plant and equipment are calculated comparing the income obtained to the carrying value and are included in the income statement.

2.6 Intangible assets

Intangible assets include software and licenses acquired from third parties which are capitalised on the basis of the costs that have been incurred to acquire and prepare them for the use in the specific program. These costs are amortised on a straight-line basis over their estimated useful lives over 4 years.

Expenses related to the maintenance of computer software are recognised as an expense when incurred. The costs directly related to the production of unique identifiable computer programs controlled by the Company which will probably generate future economic profits higher than the costs for more than one year, are recognised as intangible assets. The direct costs include cost of the staff that developed the computer programs and the appropriate percentage of overheads.

The costs computer program development recognised as assets are written off over their useful lives (which cannot exceed 4 years).

2.7 Impairment of non-financial assets

At each balance sheet date the Company evaluates whether there are any indications of asset impairment. If there is, the company estimates the recoverable amount of the asset.

Depreciated assets are evaluated for impairment provided that an internal or external event or change in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised in the part of the carrying value of the asset that exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less cost of sale or the value in use obtained from discounting of cash flows. In order to evaluate the impairment of the asset, assets are grouped at their lowest level for which there are separate identifiable cash flows (cash generating units).

2.8 Financial investments

The group classifies its investments into the following categories: assets at fair value through profit and loss, financial assets available for sale, investments held to maturity, loans and accounts receivable. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments in at initial recognition. The acquisitions and disposals of financial investments are recognised on the trading date, i.e., the date on which the group is committed to acquiring or selling the asset.

Investments are written off the books when the rights to receive the cash flows from them have matured or have been transferred and the group has substantially transferred all the risk and rewards inherent in their ownership.

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

The group does not have assets at fair value through profit and loss.

Loans and accounts receivable are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. They are included in current assets under "Trade and other receivables", except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. See Note 2.10.

Financial assets held to maturity are non-derivative financial assets with fixed or determinable maturities that Group management has the positive intention and capacity to hold to maturity. If the group sells a not insignificant amount of the financial assets held to maturity, the total heading is reclassified as available for sale. These financial assets held to maturity are included in non-current assets, except for those maturing in less than 12 months as from the balance sheet date, which are classified as current assets.

Financial assets available for sale: this heading includes the debt securities and equity instruments that are not classified under any of the previous headings. They are included in non-current assets unless Management plans to sell the investment within 12 months following the balance sheet date.

They are stated at their fair value, and any changes are recorded directly in net equity until the asset is sold or impaired, when the accumulated gains and losses in net equity are charged to the income statement, provided that it is possible to determine the aforementioned fair value. If not, they are recorded at their cost less impairment.

In the case of financial assets available for sale, provisions are recorded if there is objective proof that their value has been impaired as a result of a reduction or delay in future estimated cash flows in the case of debt instruments acquired or to due the lack of recoverability of the carrying value of the assets in the case of investments in equity instruments. The provision is the difference between cost or amortised cost less, as the case may be, any provision recognised previously in the income statement and the fair value at the time the provision is recorded.

2.9 Inventories

Inventories include buildings, land and lots, which are stated at the lower of cost or net realisable value. The cost comprises the price of purchase plus the additional expenses incurred, such as renovations, improvements, non recoverable taxes, etc. The realisable value is the sale price estimated in the normal course of business less the variable costs of sale. At the year end the net value of realisation of the inventories is verified.

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

The borrowing costs from bank financing, both generic financing (syndicated loan) and specific financing (mortgage-loans), attributable to the acquisition and transformation of any qualifying asset, as well as other costs incurred from the execution of bank financing, are capitalised as part of the asset over the period of time necessary to complete and prepare the asset for its intended use. A qualifying asset is an asset which is expected since acquisition to require a transformation period longer than 12 months. Other interest costs are recorded as expenses.

The specific cost identification method is used, i.e., only costs incurred that can be totally attributable to each asset in inventories are capitalised.

The amounts disbursed for premiums on building purchase option rights (generally buildings and land) are classified at cost as prepayments under inventories. The acquisition of building purchase option rights is the normal way in which the group arranged the first phase of its building acquisition process, prior to deeding the purchase and sale.

2.10 Trade and other receivables

Trade receivables are recognized initially at their fair value. After initial recognition they are stated at amortised cost in accordance with the effective interest rate method, less, as the case may be, the provision for value impairment. A provision is recorded for impairment of trade receivables when there is objective evidence that the Group will not be able to collect amounts owing to it under the original terms of the accounts receivable. The amount of the provision is the difference between the carrying value of the asset and the current value of the estimated future cash flows (See Note 3.1). The provision is recognized in the income statement as an expense.

The payments of cash on account of debtors is recorded in the liabilities side of the balance sheet in the amount received from them.

2.11 Cash and cash equivalents

Cash and cash equivalents include the cash in hand and balances of current bank accounts.

2.12 Capital

Ordinary shares are classified as net equity. The incremental costs directly attributable to issuing new shares or options are stated in net equity as a reduction, net of any tax effect, if any, of the income obtained.

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

If any group company acquires Company shares (treasury shares), the consideration paid, including any incremental cost directly attributable (net of income tax) is subtracted from the equity attributable to the equity holders of the Company until cancellation or disposal. When these shares are sold, any amount received, net of any incremental cost of the transaction directly attributable, and the respective income tax effect, is included in net equity attributable to the equity holders of the Company.

2.13 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. The other borrowings are classified as current liabilities.

2.14 Deferred taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates and laws that have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Their recovery is evaluated each year and the recoverability of those that have not been capitalised are evaluated again.

Deferred income tax assets are recognised for the temporary differences that arise from investments in subsidiaries and associates, except in those cases in which it is likely that these will not reverse in the foreseeable future.

2.15 Income tax and other taxes

The parent company avails itself of the group taxation regime for corporate income tax purposes and is therefore taxed jointly with its subsidiaries Renta Corporación Real Estate ES, S.A.U. and Renta Corporación Real Estate Finance, S.L.U.

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

The consolidated income statement for the year includes the corporate income tax whose calculation includes the corporate income tax payable accrued during the year, the effect of the deferral of the differences generated between the taxable income and accounting profit before applying the tax that reverses in subsequent years, as well as the tax credits and deductions available to the Group companies.

Renta Corporación Real Estate, S.A. is taxed under the General VAT regime.

Renta Corporación Real Estate R.A., S.A.U. as from 2001 is subject to the special prorated VAT regime.

The parent Company avails itself of the group tax regime for VAT purposes and has been taxed jointly with one of its subsidiary companies, Renta Corporación Real Estate ES, S.A.U. as from 1 January 2008.

Renta Corporación Real Estate Finance, S.L.U. as from 2004 has been subject to the special prorated VAT regime.

Masella Oeste, S.L. is subject to the general VAT regime.

Groupe Immobilier Renta Corporación, S.A.S.U. is taxed for VAT purposes under the *marchand de biens* regime.

Renta Properties (UK), Ltd. and RC Real Estate Deutschland GmbH are taxed under the prorated regime in accordance with UK and German specific legislation.

2.16 Provisions

Provisions are recognised when the Group has a present obligation and when it is probable, legally or implicitly, as a result of past events, that disbursements will be made to settle the obligation, and when the amount of the obligation can be reliably estimated.

The provisions are stated at the current value of the disbursements that are expected will be necessary to settle the obligation at an interest rate that reflects the current market valuations of the temporal value of money and the specific risks entailed by the obligation. The increase in the provision due to the passing of time is recognised as interest expense.

2.17 Recognition of income and expenses

Revenue is measured at the fair value of the sale of assets and services to third parties.

The sales of goods are recognised when the ownership of the asset is transferred, i.e., when the purchases-sale of a building is formally deeded (although, on exceptional occasions, the transfer of the property could be formalised by virtue of a private document, which is accounted for adequately), provided that significant risks and rewards of ownership deriving from the assets have been transferred to the buyer.

On some occasions the Group manages works on behalf of third parties (customers). In these cases the Group outsources the execution of the works to different contractors and reinvoices the cost to the customer. In these cases the income is recognised when the work is invoiced, together with the remuneration that has been agreed for the management of the works.

On other occasions, the Group can sell a building with a commitment to carry out certain works on it, and take charge of the contracting, coordination and supervision, with the cost included in the sale price agreed. In these cases, the recognition of the sale is made when the purchase-sale is deemed, although the part of the margin on the remunerated part of the operation is deferred until the works are completed.

In the case of building swaps the possible difference between the cost of acquisition of the building ceded by the Group and the value of the building received by the Group is recognised as income or expense when the swap is deemed.

If there are conditions precedent to either the sales and swaps, the recognition of income will be deferred until these are completed and the swap or sale is finally concluded.

Interest income is recognised using the effective interest rate method, which cannot exceed the nominal interest rate.

Expenses are recognised when they accrue, independently from when they are paid. The cost of inventories is recognised when the goods are recognised as a sale.

2.18 Leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. The income from lease contracts with tenants of the properties acquired is considered to be incidental, since the lease contracts are maintained for a short period, until the Group sells the property or enters into an agreement by virtue of which the tenant will vacate the property after the payment of compensation by the Group.

The assets leased to third parties under operating leases are carried under inventories (exceptionally in tangible assets) on the balance sheet since they existed when the assets were acquired for future sale in the ordinary course of business of the Group. The income from the lease is recognised on a straight-line basis over the term of the lease.

2.19 Transactions with related parties

Transactions with related entities are recorded when there has been a transfer of resources or obligations and are stated at the amount agreed by these entities.

2.20 Distribution of dividends

Dividends distributed to the Company's shareholders are recognised in the consolidated financial statements of the Group in the year in which the decision is adopted.

2.21 Environment

Expense arising from business actions designed to protect and improve the environment are expensed when incurred.

Expenses are capitalised when they represent additions to tangible fixed assets in order to minimise environmental impact and to protect and improve the environment and are depreciated over the useful life of the asset.

2.22 Employee benefits

Share-based payments

The Group has a compensation plan based on shares and payable in shares. The fair value of the services of employees in consideration for shares is expensed over the accrual period. The total amount that is expensed over the accrual period is determined by the fair value of the shares granted at the beginning of the operation, excluding the impact of accrual conditions that are not market conditions (for example, the objectives of profitability and sales growth).

2.23 Derivative financial instruments and hedging operations

The Group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge exchange rate risk and interest rate risk. These Financial Instruments are initially posted and thereafter at their fair value, which is, since there are unlisted instruments, valuations based on valuation techniques, such as, for example, discounted cash flow analysis.

The method for recognizing the gain or loss on changes in the fair value of these financial instruments depends on whether the derivative has been designated as a hedging instrument, and, if so, the nature of the item it is hedging. Any gain or loss from the changes in the fair value of derivatives that do not meet these requirements to be recorded as hedges are directly expensed, in the net amount, for the year. At 31 December 2007 all the derivatives qualified for hedge accounting. However in 2008, given that item hedged by the derivatives mature in the short term at 31 December 2008, these derivatives no longer qualify as hedging instruments.

In order to record these hedges, they are classified as cash flow hedges when they cover exposure to the variation in cash flows that is attributable either to a specific risk related to an asset or liability already recorded, or to a highly expected future transaction.

The Group documents at the beginning of the transaction the existing relationship between the hedging instrument and the items hedged, as well as they risk management objectives and the strategy for making various hedging transactions. The Group also documents their evaluation, both at the beginning and on a continuous basis, as to whether the derivatives that are used in the hedging transactions are high effective in offsetting the changes in fair value or in the cash flows of the items hedged.

The fair value of the derivative instruments used for hedging purposes is broken down in Note 10. The movements in the hedging reserve in equity is broken down in Note 16.

The total fair value of the hedging derivatives is classified as a non-current asset or liability if the remaining maturity of the item hedges is greater than 12 months and as a current asset or liability if the remaining maturity of the item hedged is lower than 12 months.

Cash flow hedges

The effective part of the gain or loss in the fair value of the hedging instrument (previously designated and qualified as such) is recognised directly under net equity, while the non-effective part is recognised in the income statement.

The amounts recorded in net equity are transferred to profit and loss when the transaction hedged affects results, and when a financial income or expense hedged is recognized, or when there is an expected purchase or sale that is being hedged. The loss or gain relating to the effective party of the interest rate swaps that hedge financial debt at a variable interest rate is recognised in the profit and loss account under "net financial costs". When the expected transaction that is hedged generates the recognition of a non-financial assets, the gains or losses previously deferred under net equity are transferred from equity and included in the initial valuation of the costs of the asset or liability.

When a hedging instrument matures or is sold or when it does not meet the accounting requirements to be classified as a hedge, any accumulated gain or loss in net equity until that time will remain in net equity and is recognized when the expected transaction is finally recognized in profit and loss. When it is foreseen that the expected transaction will not take place, the accumulated gain or loss in new equity is immediately taken to the income statement.

2.24 Trade and other payables

Creditors are initially recognized at fair value and then valued at their cost and amortised using the effective interest rate method. These balances are included in current liabilities under "Creditors and other accounts payable", except for maturities longer than 12 months from the balance sheet date, which are classified as non-current liabilities.

3. Finance risk management

3.1 Financial risk factors

The activities of the Group are exposed to various financial risks: market risk (including Exchange rate and cash flow interest rate risks), credit risk and liquidity risk. The overall risk management program of the Group is centred on the uncertainty of the financial markets and tries to minimize the potentially adverse effects on the Group's financial profitability. The Group uses various derivatives to cover certain risks.

Risk management is controlled by the Departments of Finance and Treasury of the Group in accordance with the policies adopted by the Board of Directors. These Departments identify, evaluate and hedge the financial risks in close collaboration with the Group's operating units. The Board provides policies for global risk management and for specific areas, such as exchange rate risk, interest rate risk, liquidity risk, the use of derivatives and non-derivatives and the investment of surplus liquidity.

Market risk: exchange rate risk

The Group defines the negative effect of the fluctuation in exchange rates on the results of its companies, Group equity or cash flows as Exchange rate risk.

The Group's activity is located in the Euro zone, except for some engagement in the UK and the USA.

The Group holds intra-group financial positions with its subsidiaries in London and New York, where it operates with non-Euro currencies, which generates exchange rate exposure. During 2008 the Group has continued to apply a risk management policy for currencies in order to minimise the negative effect that a fluctuation in exchanges rates could have on the results of Group companies on the equity or cash flows. However, the irregular performance of these currencies, especially in the last part of the year, has made it very difficult to benefit from this active hedge management.

The US Dollar, after a year of major volatility, has in overall terms appreciated against the Euro, which has generated a net positive result from exchange differences in this currency of Euros 2.2 million. Throughout 2008 the Euro has gone from US\$ 1.473/Euro at the 2007 year end to US \$ 1.392 at 31 December 2008.

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

Sterling has behaved diametrically opposite and has depreciated heavily against the Euro. Of special note in the last two months of the year is that it has reached levels that have not been seen since the 90s. In light of this scenario, which was not very foreseeable, the hedges made in this currency designed to minimise its effect were not totally effective. While the pound exchange rate against the Euro at the 2007 year end was £ 0.733/Euro, the exchange rate at the 2008 year end was £ 0.953. As a result, the group closed the year with a net loss for exchange differences in this currency of Euros 10.6 million.

Market risk: interest rate risk

External financing is contracted at floating interest rates. In 2008 the average interest rate on borrowing has been 5.3%, with a differential estimated on the Euribor of 0.83%.

The interest risk control policy was designed to cover at a fixed interest rate approximately 30% of the total debt drawn down and to thus reduce the volatility of financial costs. In 2007 fixed rate hedging contracts were executed for a nominal amount of Euros 221.6 million, mostly in the syndicated loan. At the 2008 year end the interest rate hedges total Euros 221,3 million, which represents 35% of borrowings.

All the hedges contracted are considered "IAS compliant".

The hedge portfolio at 31 December 2008 has set the group interest rate for the next 2.4 years (for hedged borrowings) at a fixed rate of 4.11%. At the year end the market value ("mark to market") of the interest rate hedges total –Euros 6,253 thousand due to the stiff fall in interest rates, especially in the last part of 2008. Given that the Company at the 2008 year end was renegotiating its debt, which was completed at the date of formulation of these annual accounts, these hedges are classified as having matured at 31 December 2008, and, therefore, these values have been recognised as a loss in the income statement for the year.

Credit risk

A large number of sales of buildings made by the Group are settled in cash at the time of the transfer of title. In the other sales of buildings, the collection of all or part of the purchase price is made after the transfer of title to the new owner. In these cases, the amount owed to the Group is guaranteed generally by means of a bank guarantee or through a reservation of title agreement or guarantees *in rem* or the like so that the Group can recover title to the building in the event of default on the payment of the price. The Group has not had any difficulties in collecting these receivables for sales in the past.

The credit quality is guaranteed depending on the types of customers, who are of renowned prestige and solvency, and by the form of payment of the transactions, which confirms that the fact that the Group is not facing any credit risks in its accounts.

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

Liquidity risk

The Group is engaged in the purchases, transformation and sale of real estate assets with high turnovers, which generates quick liquidity. The business model of Renta Corporación, because of its dynamic, constant flow of purchases and sales, quickly identifies changes in the market and adjusts its practices to the context in which it operates.

During 2008 this target has been a priority within the Group's plans. However, the worsening of the international financial and economic crisis has been reflected in the squeezing of credit by financial institutions and the stiffening of credit terms. In this adverse environment, credit risk management has been one of the fundamental pillars of Group management, in order to align the Group with the new market circumstances.

The acquisition of real estate, as well as the renovation and transformation activity is financed by debt. In February 2007 a credit facility was executed with a syndicate of 21 financial entities in the amount of Euros 500 million maturing in five years. Given the deterioration of the market, the Group began in mid-2008 to negotiate with the financial institutions an easing of terms in order to generate Group liquidity. On 8 August 2008 a temporary waiver was obtained from most of the financial institutions party to the syndicated loan, under certain terms and conditions, in order to bring this loan until the end of 2009 into line with the new market situation, which facilitated liquidity management.

Given the progressive, sharp deterioration of the financial markets, on 10 October 2008 the company reopened negotiations with the financial institutions party to the syndicated loan in order to make a structural re-arrangement of its financing, and the terms and conditions, in order to stabilise its borrowings in the short, medium and long-term. These negotiations included the possibility of reducing debt through the sale of real estate assets to the financial institutions.

At the 2008 year end the Group's net financial borrowings totalled Euros 642 million. Furthermore, the structural re-arrangement of the debt was still being negotiated, and, accordingly, for transparency purposes, this debt has been presented as current liabilities. However, at the date of preparation of these annual accounts, the Group has reached a long-term re-financing agreement. This new situation will represent a debt reduction of approximately 50%, once, within a period of 90 days, the asset purchase and sale commitments have been formalised with the financial institutions. The sale of these assets includes the Company's head office.

The table below presents an analysis of the financial liabilities of the Group grouped by maturities in line with the outstanding instalments at the balance sheet date until the maturity date stipulated in the contract. In respect of the derivative financial instruments, the amounts relate to the bases of the contracts on which the aforementioned derivative financial instruments have been contracted whose maturity has arisen.

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

At 31 December 2008
(Thousand Euros)

	Less than one year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years
Bank loans	662,647	-	-	-
Derivative financial instruments	6,253	-	-	-
Trade and other payables	73,677	3,313	-	-

At 31 December 2007
(Thousand Euros)

	Less than one year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years
Bank loans	159,152	68,250	440,588	73,415
Derivative financial instruments	9,828	60,648	160,628	-
Trade and other payables	90,986	9,613	-	-

3.2 Capital risk management

The Group's objectives in relation to capital management are to safeguard its capacity to continue its operations as a going concern in order to generate value for its shareholders and profit for other holders of net equity instruments and to maintain an optimal capital structure and to reduce its cost.

In order to be able to maintain or adjust the capital structure, the Group could adjust dividends payable to shareholders, refund capital to the shareholders, issue new shares or sell assets to reduce debt.

The Group monitors its capital in accordance with the leverage indicator, in line with the practice in the sector. This indicator is calculated as the net debt divided by total capital. The net debt is calculated as the total of financial debt (including current and non-current external borrowings, as shown in the consolidated balance sheet) less cash and cash equivalents. Capital is calculated as net equity, as stated in the consolidated accounts, plus net debt.

The leverage indicators at 31 December 2008 and 2007 were as follows:

	2008	2007
Borrowings and derivative financial instruments	668,900	741,405
Less: Cash and cash equivalents plus other current deposits	27,341	5,194
Net debt	641,559	736,211
Net equity	90,808	220,614
Total capital	732,367	956,825
Leverage index	87.60%	76.94%

The average balance of the net debt for the year totals Euros 661.1 million (Euros 596 million in 2007), which is higher than the average for the preceding year, in spite of the fact that there has been a gradual decrease in the last 6 months.

Net debt at the year end, for its part, totals Euros 641.6 million, a decrease of Euros 94.7 million against 31 December 2007. The leverage ratio is 87.6%, having increased against 2007 by a decrease in Net equity proportionally higher than the decrease in the debt. After the refinancing process, net debt is approximately 50% of the year end figure.

4. Accounting estimates and judgements

The estimates and judgements are evaluated continuously on the basis of historical experience and other factors, including the expectation of future events believed reasonable under the circumstances. There are no estimates and judgements that could have a significant risk of leading to a material adjustment to the book values of assets and liabilities within the following financial year.

The estimates made by Group management are as follows:

Inventories: the net realisable amount of inventories has been estimated over the normal course of business, less the variable costs of sale. The market prices are analysed for buildings in each location as well as the main costs of sale, which are basically commissions agreed for each estate.

Their classification as short-term assets is made bearing in mind the average operating period for each business segment, which is normally less than a year. The financing of these inventories is classified on the basis of the latter.

Trade and other receivables: in respect of the collectibility of accounts receivable, although most sales of property made by the Group are settled in cash upon transfer of ownership, the remaining property sales are paid for totally or in part after the transfer of title to the new owner. In these cases, and generally speaking, the payment owed to the Group is generally covered by a bank guarantee or a retention of title agreement or similar real guarantee formulas that enable the Group to recover the ownership of the building in the event of a default on payment. Accordingly, the recoverability of the receivable is guaranteed.

Property, plant and equipment: The useful lives of fixed assets are calculated using the estimate of the period in which the assets will generate profit for the Group. These useful lives are reviewed at the year end, and, if expectations differ from previous estimates, the changes are booked as a change in accounting estimates. Specifically, the useful life of buildings is estimated at 35 years due to the fact that this is the period of time considered necessary in order to contribute to the generation of income.

Deferred income tax: the recoverability of the deferred income tax assets is evaluated when they are generated depending on the evolution of Group profit forecast in its overall business plan, and taking into account the tacit latent capital gains of Group inventories at the year end.

Derivative financial hedge instruments: the Group selects a variety of methods and uses assumptions that are based mainly on the market conditions at the balance sheet date. The Group has used discounted cash flow analyses for the derivative financial instruments used in its hedging operations.

4.1 Fair value estimates

The book value less the provision for the impairment of accounts receivable and payable is presumed to be close to the fair values due to fact that they fall due in less than one year.

When relevant, the fair value of the financial liabilities for financial reporting purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available for the Group for similar financial instruments.

The fair value of the financial instruments that are listed in active markets (such as securities held for sale and available for sale) is based on the market prices at the balance sheet date. The quotation market price that is used for the financial assets is the current purchase price.

The fair value of the financial instruments that are not listed in active markets is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on the market conditions existing in each of the balance sheet dates. For long-term debt the listed market prices are used or agent quotations. In order to determine the fair value of the other financial instruments other techniques are used, such as estimated discounted cash flows. The fair value of the interest rate swaps is calculated as the current value of the estimated future cash flows. The fair value of the forward exchange rate contracts is determined using the forward exchange rates quoted in the market at the balance sheet date.

5. Segment reporting

5.1 Primary format of presentation segment reporting: business segments

At 31 December 2008, the Group is organised globally into three main business units.

- (i) Residential
- (ii) Commercial
- (iii) Land

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

The main accounts for the year ended 31 December 2006 are:

Account	Residential	Commercial	Land	Not assigned	Total Consolidation
Ordinary income (Note 20.1)	132,848	245,383	150,876	-	529,107
- External	132,848	245,383	150,876	-	529,107
- Other segments	-	-	-	-	-
Goods for resale	(113,150)	(213,710)	(105,772)	-	(432,632)
Gross margin	19,698	31,673	45,104	-	96,475
Total assets	257,743	348,496	369,104	102,626	1,077,969
Total liabilities	232,170	224,575	349,791	50,819	857,355

The main accounts for the year ended at 31 December 2008 are:

Account	Residential	Commercial	Land	Not assigned	Total Consolidation
Ordinary income (Note 20.1)	120,189	127,017	(3,073)	-	244,133
- External	120,189	127,017	(3,073)	-	244,133
- Other segments	-	-	-	-	-
Goods for resale	(132,548)	(166,808)	(13,044)	-	(312,400)
Gross margin	(12,359)	(39,790)	(16,117)	-	(68,266)
Total assets	122,202	251,657	371,419	102,976	848,254
Total liabilities	144,199	325,368	251,115	36,764	757,446

Assets not assigned include, amongst others, the cost of acquisition of the Group's new corporate headquarters.

Ordinary income from land includes basically the return of a sale while goods for resale in this segment includes impairment of these inventories.

The accounting policies for all business segments are the same as the ones mentioned for the whole Group in Note 2 to these financial statements.

5.2 Secondary format of presentation segment information: geographic segments

The three business segments of the Group operate mainly in two geographical areas, although they are managed on an overall basis.

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

Spain is the country of origin of the Group, and it is the main geographic area in which it operates.

ORDINARY INCOME	<u>2008</u>	<u>2007</u>
Domestic	202,200	427,877
International	41,933	101,230
	<u>244,133</u>	<u>529,107</u>

The revenue is assigned depending on the country in which the asset is located.

ASSETS	<u>2008</u>	<u>2007</u>
Domestic	712,960	824,190
International	135,294	253,779
	<u>848,254</u>	<u>1,077,969</u>

Total assets are assigned on the basis of their location.

Breakdown of revenue by segment of activity and geography:

	<u>2008</u>		<u>2007</u>	
	<u>Domestic</u>	<u>International</u>	<u>Domestic</u>	<u>International</u>
Residential	83,103	37,086	36,703	96,145
Commercial	122,170	4,847	240,298	5,085
Land	(3,073)	-	150,876	-
	<u>202,200</u>	<u>41,933</u>	<u>427,877</u>	<u>101,230</u>

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

6. Property, plant and equipment

The breakdown and movements of different categories of property, plant and equipment are shown in the following table:

At 1 January 2007	Land and Buildings	Other plant and furniture	PPE	Total
Cost	13	1,209	660	1,882
Accumulated depreciation	(2)	(312)	(370)	(684)
Net carrying value	11	897	290	1,198
Year ended 31 December 2007				
Opening carrying value	11	897	290	1,198
Additions	58,369	7,955	561	66,872
Disposals	-	(623)	(4)	(627)
Depreciation charge	(164)	(220)	(145)	(529)
Year end carrying value	58,203	8,009	702	66,914
At 31 December 2007				
Cost	58,369	8,268	1,202	67,839
Accumulated depreciation	(166)	(259)	(500)	(925)
Net carrying value	58,203	8,009	702	66,914
Year ended 31 December 2008				
Opening carrying value	58,203	8,009	702	66,914
Additions	-	890	185	1,075
Disposals	-	(73)	(24)	(97)
Exchange differences	-	(6)	(1)	(7)
Impairment	(2,379)	-	-	(2,379)
Depreciation charge	(654)	(871)	(238)	(1,763)
Year end net carrying value	55,170	7,949	624	63,743
At 31 December 2008				
Cost	58,369	9,047	1,322	68,738
Accumulated depreciation and impairment	(3,199)	(1,098)	(698)	(4,995)
Net carrying value	55,170	7,949	624	63,743

The carrying value of tangible assets fully depreciated totals Euros 318 and 411 thousand and at 31 December 2008 and 2007, respectively.

Assets located outside Spain total Euros 157 thousand and Euros 104 thousand at 31 December 2008 and 2007, respectively.

The Group holds proper title to all the assets carried in its books.

Land and buildings includes the building that houses the Group's new head office on which a mortgage-backed loan has been constituted in the amount of Euros 54 million.

There is a binding purchase offer by virtue of which an impairment has come to light on the entire investment of Euros 2,379 thousand (Note 36).

7. Intangible assets

The breakdown and movement of Intangible assets are set out below:

	Trade marks	Computer Software	Advances and fixed assets under construction	TOTAL
At 1 January 2007				
Cost	-	256	-	256
Accumulated amortisation	-	(74)	-	(74)
Net carrying value	-	182	-	182
Year ended 31 December 2007				
Additions	16	291	-	307
Amortisation charge	-	(82)	-	(82)
At 31 December 2007	16	391	-	407
Cost	16	547	-	563
Accumulated amortisation	-	(156)	-	(156)
Net book value	16	391	-	407
Year ended 31 December 2008				
Opening carrying value	16	391	-	407
Additions	-	201	1,847	2,048
Disposals	(16)	-	-	(16)
Transfers	-	799	(799)	-
Amortisation charge	-	(228)	-	(228)
Year end carrying value	-	1,163	1,048	2,211
At 31 December 2008				
Cost	-	1,547	1,048	2,595
Accumulated amortisation	-	(384)	-	(384)
Net carrying value	-	1,163	1,048	2,211

The additions of computer software relate basically to computer equipment renovations, obtaining licenses and the completion of several projects.

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

8. Investments in associates

The movement of investment in associates is set out below:

	<u>Masella Oeste, S.L.</u>	<u>Mixta África, S.A.</u>	<u>Total</u>
At 1 January 2007			
Participation in equity	401	3,853	4,254
Participation in results	-	(1,769)	(1,769)
	(2)	9,012	9,010
At 31 December 2007	399	11,096	11,495
Participation in equity	-	(1,785)	(1,785)
Participation in results	8	4,943	4,951
Disposals	-	(11,221)	(11,221)
Reclassification as financial asset available for sale	-	(3,033)	(3,033)
At 31 December 2008	407	-	407

The increase due to the participation in the results of Mixta África, S.A., in 2007 and 2008, arises mainly from the capital with increase with share premium made by this company after subtracting the losses recorded in those years totalling Euros 9,012 and 4,943 thousand, respectively.

During 2008 the percentage of the Company's shareholding in its associate Mixta África, S.A. has gone from 18.55% at 31 December 2007 to 4.55% at 31 December 2008, and, accordingly, together with the addition of new members on the Board of Directors, the shareholding in this company is now classified as a financial asset available for sale (Note 11.1). The decrease in this percentage of the shareholding in 2008 is due to the capital increases with share premium that Renta Corporación Real Estate, S.A. has not subscribed and the sale of part of its shares to a third party, thus generating a profit before tax of Euros 13,583 thousand.

The main aggregates of the Group's shareholdings in these unlisted companies are:

<u>Name</u>	<u>Country of incorporation</u>	<u>Share-holding %</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Ordinary income</u>	<u>Profit (loss)</u>
2007						
Masella Oeste, S.L.	Spain	40%	1,060	64	-	(7)
Mixta África, S.A. (1)	Spain	18.55%	162,377	94,431	107,895	(8,792)
2008						
Masella Oeste, S.L.	Spain	40%	1,027	9	-	21

(1) Figures relating to the audited consolidated annual accounts.

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

In 2008 and 2007 no transactions with Masella Oeste, S.L. have been carried out

The balances at the 2007 year end arising from accounts receivable with Mixta África, S.A. total Euros 145 thousand.

On 26 April 2007 a Lease Agreement for Consulting Services was entered into by Renta Corporación and Mixta África, S.A., with a term of one year, extendible tacitly. The amount invoiced in 2007 under this agreement totalled Euros 125 thousand plus VAT; in 2008 no fees for these services have accrued.

On 1 August 2008 a lease agreement for advisory and external communication management services was entered into by Renta Corporación Real Estate, S.A. and Mixta África, S.A. Under this agreement the amount invoiced by Renta Corporación Real Estate, S.A. in 2008 totalled Euros 19 thousand. At 31 December 2008 there was no balance pending payment for this item to Renta Corporación Real Estate, S.A.

On 20 November 2008 a loan agreement was entered into by Renta Corporación Real Estate Finance, S.L.U. and Mixta África, S.A. totalling Euros 12,500 thousand. This loan has been cancelled during the year and has accrued interest to the Company totalling Euros 48 thousand, which has also been settled during the year.

9. Trade and other receivables

	<u>2008</u>	<u>2007</u>
Sales and services		
Other accounts receivable	31,317	84,921
Current deposits and guarantee deposits	5,383	18,427
Taxes refundable	255	486
Total current accounts receivable	4,907	18,721
	<u>41,862</u>	<u>122,555</u>
Non-current deposits and guarantee deposits		
Sales and services	381	335
Other non-current investments	21,133	-
Total non-current accounts receivable	776	776
	<u>22,290</u>	<u>1,111</u>

The sales and services balance has decreased mainly due to the collections on sales made in prior years. These debits pending payment are duly secured.

During 2008 the amount of Euros 21,133 has been classified as non-current, due to the term of maturity over the next 5 years. This amount has been discounted using a market discount rate.

Given that most sales made by the Group are paid in cash, the Company, at 31 December 2008 has no significant accounts receivable past due.

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

Other accounts receivable basically includes funds for taxes, notaries, solicitors and certain advances to debtors.

The decrease in the tax refundable balance against last year is mainly due to the offsetting of VAT payable generated in prior years (Euros 8,965 thousand) and the receipt of the debt arising from 2007 corporate income tax return of the domestic companies in the Group (Euros 4,773 thousand).

The movement in guarantee deposits and deposits is as follows:

	<u>Non-current</u>	<u>Current</u>	<u>Total</u>
Opening balance at 1 January 2007	173	400	573
Increases	196	1,244	1,440
Decreases	(34)	(1,158)	(1,192)
Closing balance at 31 December 2007	335	486	821
Increases	552	281	833
Decreases	(506)	(512)	(1,018)
Closing balance at 31 December 2008	381	255	636

The breakdown of Taxes refundable is as follows:

	<u>2008</u>	<u>2007</u>
Public Treasury VAT receivable	4,709	13,675
Public Treasury receivable sundry items	198	945
Credit for losses to be offset	-	4,101
	<u>4,907</u>	<u>18,721</u>

The credits for losses to be offset relate to the tax rate of each country applied to the losses incurred by some Group subsidiaries that the Group expects to be able to offset using the profits from future years. In 2008 they have been classified as deferred tax assets.

There is no risk concentration in relation to the trade receivables for sales and services given that the Group practically receives payment for all its operations in cash when the transaction is decided. However, during the year losses have been recorded for bad debts totalling Euros 995 thousand, most of which relate to a specific transaction (2007: Euros 144 thousand).

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

10. Derivative financial instruments

The breakdown of the fair value of the derivative financial instruments at the 2008 and 2007 is as follows:

	2008		2007	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	-	6,253	2,020	-
Foreign currency forward contracts- cash flow hedges	-	-	90	-
Total	-	6,253	2,110	-
Less non-current part:				
Interest rate swaps	-	-	(2,020)	-
Forward currency exchange contracts -cash flow hedges	-	-	-	-
Current part	-	6,253	90	-

In 2008 the group has derivative financial instruments on interest rates (swaps). During the year 2008, the group has also held two foreign currency exchange rate contracts (Purchase: European put/call, sale; European call/put), in line with the finance risk management policy described in Note 3.1.

a) Interest rate swaps

The amounts of the notional principle of the interest rate swap contracts outstanding at 31 December 2008 total Euros 221.3 million (2007: Euros 221.6 million).

At 31 December 2008, the fixed interest rates varied between 4.065% and 4.390%, (2007: between 4.065% and 4.390%) and the main floating interest rates were set by the EURIBOR. The gains and losses recognised in the equity hedge reserve (Note 16.2) in interest rate swap contracts at 31 December 2007 was released to the income statement given that they are related to the syndicated loan agreement which at the 2008 year end was being renegotiated.

b) Forward foreign currency contracts

The principal amounts of the derivative contracts on US Dollars outstanding at 31 December 2007 total Euros 9,504 thousand. At 31 December 2008 all the derivative currency contracts in USD and Pounds Sterlian were settled given the performance of the currencies in 2008.

The irregular performance of these currencies, especially in the last part of the year, has been it difficult to benefit from active hedge management. However, the net impact of the hedges on the income statement has totalled Euros 10 thousand, as sales of the same offset the losses they have generated.

11. Financial assets available for sale/held to maturity

11.1 Financial assets available for sale

	<u>2008</u>	<u>2007</u>
Balance 1 January	-	-
Reclassification of shareholdings using the equity method	3,033	-
Additions	2,537	-
Net gains/(Losses) in net equity	1,002	-
Balance 31 December	<u>6,572</u>	<u>-</u>

The financial assets available for sale include shares in Mixta Africa, S.A., consolidated by equity accounting until the loss of significant influence in 2008.

The valuation of the shares in Mixta Africa has been made in accordance with the price agreed in the last purchase and sale of shares transaction with a third party in December 2008.

11.2 Financial assets held to maturity

At 31 December 2008 this account includes Government debt securities (Euros 8,241 thousand), remunerated at a floating interest rate based on the Euribor, and other short-term deposits remunerated at a fixed interest rate (Euros 16,500 thousand), whose maturities are established in 2009.

12. Inventories

	<u>2008</u>	<u>2007</u>
Land and lots	305,008	274,820
Buildings acquired for renovation and/or transformation	385,587	556,763
Work in progress	2,548	2,911
Purchase options	6,338	26,447
Provisions	(56,794)	(2,047)
	<u>642,687</u>	<u>858,894</u>

The decrease in the inventories balance is due to the sales in 2008 and the decrease in investment during the year given the world economic and financial situation.

The cost of inventories recognised as expense is included in consumption of goods for resale at 31 December 2008 and 2007 totals Euros 312,400 thousand and Euros 432,632 thousand, respectively. (Note 21)

Under Inventories, accumulated capitalised interest at 31 December 2008 and 2007 totals:

	<u>2008</u>	<u>2007</u>
Capitalised interest	33,761	26,641

The capitalisation rate used to determine the interest costs from generic financing is approximately 5.5% (5.2% for 2007).

Calculation method used for the capitalisation of financial cost is in line with the reality of the financing of the group (based on generic financing through the syndicated loan).

At 31 December 2008 and 2007 this account includes buildings and land securing mortgage-backed loans recorded under borrowings (in current liabilities) totalling:

	<u>2008</u>	<u>2007</u>
Inventories security mortgage-backed loans	122,206	186,782
Mortgage-backed loans (See Note 18)	71,664	97,741

The purchase options balance recorded at 31 December 2008 (Euros 6,338 thousand) is made up of the amount paid for option premiums (Euros 14,699 thousand), less the provision recorded for possible losses on unexpired purchase options (Euros 8,361 thousand).

The net balance of the options recorded at 31 December 2008 relate to operations that are being studied with due diligence, and will foreseeably be undertaken between 2009 and 2010. The amount of the option premiums at 31 December 2008 totals Euros 6,338 thousand, of which Euros 5,438 thousand expire in 2009. The underlying asset optioned for all the options at 31 December 2008 totals Euros 73,557 thousand, of which Euros 58,557 thousand expire initially in 2009.

At 31 December 2008 this account includes Euros 900 thousand (2007: Euros 17,768 thousand) whose realisation is estimated in a period of more than one year.

The balance accrued for in relation to possible unexpired purchase option losses expire in the first quarter of 2009. Its related underlying assets totals Euros 93,204 thousand.

The purpose of the purchase options is to acquire buildings or land that will be used in Group activity.

Inventories are stated at their net realisation value. Their net carrying value which includes impairment loss totals at the 2008 year end Euros 354,868 thousand.

Impairment losses on inventories recorded in the income statement for the year ended 31 December 2008 total Euros 57,406 thousand (Euros 63,797 thousand in allowance and Euros 6,391 thousand in utilisation).

The impairment of inventories has been determined on the basis of valuations and appraisals made by experts at 31 December 2008 as well as non-binding offers on certain assets made by independent third parties. The other inventories have been valued on the basis of estimates made by the directors based on market performance and past experience.

The income statement also includes the income from inventories (buildings) leased to third parties provisionally until they can be sold, as well as the lease of various floors of the corporate head office of the Parent Company. Leases totals Euros 15,615 thousand (2007: Euros 10,895 thousand) of which Euros 13,720 thousand are generated by inventories. (Note 20.2).

13. Cash and cash equivalents

	<u>2008</u>	<u>2007</u>
Cash and banks	2,311	2,737

The balance at 31 December 2008 and 2007 is made up entirely of cash and current bank accounts.

14. Capital

	Capital (Note 14.2)	Treasury shares (Note 14.3)	Share premium (Note 14.5)	Total
At 1 January 2007	25,029	(2,759)	80,419	102,689
At 31 December 2007	25,029	(5,570)	80,419	99,878
At 31 December 2008	25,029	(6,003)	80,419	99,445

14.1 Movement in number of shares

The number of shares totals Euros 25,029,301 as from 1 January 2007 and has remained unchanged since that date.

All the shares in circulation are fully subscribed and paid, as well as authorised, and they all have the same rights.

The par value of each share in 2008 and 2007 has been Euro 1.

The Company first became listed on stock exchanges on 5 April 2006.

14.2 Movement in capital

	Par value of ordinary shares	Par value of treasury shares	Total
At 1 January 2007	24,927	102	25,029
Acquisitions (Note 14.3)	(115)	115	-
Disposals (Note 14.3)	18	(18)	-
Balance at 31 December 2007	24,830	199	25,029
Acquisitions (note 14.3)	(198)	198	-
Disposals (note 14.3)	19	(19)	-
Balance at 31 December 2008	24,651	378	25,029

14.3 Transactions with treasury shares

The movements in treasury shares in 2007 and 2008 have been as follows:

	Number	Par value	Average price of acquisition/ disposal	Cost	Total
Balance at 01.01.07	102,474	(102)		(2,759)	(2,759)
Acquisitions	114,714	(115)	29.01	(3,328)	(3,328)
Disposals	(18,433)	18	28.05	517	517
Balance at 31.12.07	198,755	(199)		(5,570)	(5,570)
Acquisitions	198,544	(199)	4.99	(990)	(990)
Disposals	(19,532)	20	28.50	558	558
Balance at 31.12.08	377,767	(378)		(6,003)	(6,003)

At 31 December 2008 there are 3 specific treasury share repurchase plans to meet the needs arising from the Group employee and executive incentive plan and to hand over shares to the directors. These plans were designed to motivate and foster permanence of its beneficiaries in the Group and grant employees the status of shareholders in the Company.

In addition to the share repurchase program, it was agreed to acquire own shares until the maximum amount permitted by law, in order to contribute to the liquidity of the shares on the market, which was adopted by the Board of Directors on 14 June 2006, 21 February 2007 and 20 February 20087, and ratified by the General Meetings of Shareholders of 20 March 2007 and 25 April 2008.

14.4 Rules on the transfer of shares

Article 13 of the Articles of Association now in force does not lay down any restrictions on the free transfer of shares, although there are two para-corporate agreements set out below. On the one hand, UIASEF-Spanish Committee (UCE) and Fundación INTERMON-OXFAM acquired the commitment not to transfer their shares in the company for certain periods of time as from the listing of the company. On the other hand, within the context of the listing on the stock exchange, certain shareholders entered into a shareholders agreement regulating certain restrictions on the transfer of shares. These restrictions materialised in the right of preferential acquisition amongst the signees of the agreement in relation to the transfer of company shares.

14.5 Share premium

	<u>Capital increase expenses</u>	<u>Share premium</u>	<u>Total</u>
Balance at 1 January 2007	(6,304)	86,723	80,419
Balance at 31 December 2007	(6,304)	86,723	80,419
Balance at 31 December 2008	(6,304)	86,723	80,419

The Spanish Companies Act expressly permits the use of the share premium balance to increase share capital and does not establish any restrictions in relation to the distributability of this balance.

14.6 Main shareholders at 31 December 2008

The Company's main shareholders at 31 December 2008 holding more than 5% direct or indirect control are as follows:

Name	Number of shares		Total
	Direct	Indirect	
Mr. Luis Rodolfo Hernández de Cabanyes	1.087%	38.021%	39.108%
Fundación Privada Renta Corporación	5.010%	-	5.010%
Durango Different, S.L.	3.995%	2.010%	6.005%
Mr. Blas Herrero Fernández	-	7.927%	7.927%

15. Cumulative translation difference

The differences in this account are mainly due to the shareholding in Renta Properties UK, Ltd. and the sub-group Renta Corporation (USA). The movement in 2007 is as follows:

	Translation
1 January 2007	(29)
Translation differences:	
– Group	(2,067)
31 December 2007	(2,096)
Translation differences:	
– Group	(4,630)
31 December 2008	(6,726)

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

16. Reserves and profit (loss) for the year attributed to the parent Company

	Legal reserve	Other reserves of the parent company	Reserves in fully consolidated companies	Reserves in companies consolidated by the equity method	Retained earnings	Total Retained earnings and other reserves
Balance at 1 January 2007	2,976	10,243	40,334	185	47,501	101,239
Distribution of 2006 Income	1,708	618	42,631	2,546	(47,501)	-
Dividends	-	5,750	(20,000)	-	-	(14,250)
Profit from treasury shares	-	(26)	-	-	-	(26)
Share Plan Reserve allowance	-	809	-	-	-	809
Variation in shareholding in associates	-	-	-	(1,769)	-	(1,769)
Cash flow hedge instruments	-	-	1,477	-	-	1,477
Profit (loss) for the year	-	-	-	-	35,352	35,352
Balance at 31 December 2007	4,682	17,394	64,442	962	35,352	122,832
Distribution of 2007 Income	325	193	29,018	5,816	(35,352)	-
Dividends	-	7,310	(17,916)	-	-	(10,606)
Share Plan Reserve allowance	-	1,015	-	-	-	1,015
Share plan payments	-	(537)	-	-	-	(537)
Other variations in Share plan	-	(268)	-	-	-	(268)
Variation in shareholding in associates	-	4,710	-	(6,495)	-	(1,785)
Cash flow hedging instruments	-	-	(1,477)	-	-	(1,477)
Financial assets available for sale	-	701	-	-	-	701
Capital increases of subsidiaries (related expenses)	-	-	(254)	-	-	(254)
Profit (loss) for the year	-	-	-	-	(111,532)	(111,532)
Balance at 31 December 2008	5,007	30,518	73,813	283	(111,532)	(1,911)

16.1 Movements in reserves and retained earnings during 2007

Legal reserve

Due to the fact that the legal reserve as per article 214 of the Spanish Companies Act was not fully constituted, the parent Company allocated Euros 1,706 thousand of 2006 profit to it.

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

Other reserves of the parent company

The reserves of the parent company have been increased as a result of the receipt of dividends from its subsidiaries totalling Euros 20,000 thousand, and have decreased as a result of the distribution of a extraordinary dividend of Euros 14,250 thousand against Reserves, adopted by the Extraordinary General Meeting of Shareholders of 29 March 2007 and proposed by the Board of Directors of 21 February 2007. In accordance with current legislation in Spain, the parent Company has a treasury shares reserve totalling Euros 3,037 thousand.

During the year 2007 treasury shares have been sold generating a loss of Euros 26 thousand, thus increasing reserves of the Parent Company by that amount.

Reserves in fully consolidated companies

The movement as a whole in the Reserves in fully consolidated companies during the year 2007 have been as follows:

	Balance at 31.12.2006	Inclusion of 2006 results	Reclassification of dividends 2006	Cash flow hedging instruments	Balance at 31.12.2007
Renta Corporación					
Real Estate R.A. S.A.U.	3,505	4,895	(2,500)	-	5,900
Renta Corporación					
Real Estate G.O., S.L.U.	5,786	19,628	(17,500)	-	7,914
Renta Corporación					
Real Estate O.N., S.A.U.	11,650	3,727	-	-	15,377
Groupe Immobilier					
Renta Corporación, S.A.S.U	1,092	10,358	-	-	11,450
Renta Corporación Real Estate Finance, S.L.U.	18,803 (504)	462 (94)	-	1,477	20,744 (598)
Renta Properties (UK) Limited	-	3,550	-	-	3,550
Renta Corporación Luxembourg	-	105	-	-	105
RC Real Estate Deutschland	-	-	-	-	-
Total	40,334	42,631	(20,000)	1,477	64,442

Reserves in companies consolidated by equity accounting

The movement as a whole in the Reserves in companies consolidated by equity accounting during the year 2007 have been as follows:

	Masella Oeste, S.L.	Mixta África, S.A.	Total
Balance at 01.01.07	362	(177)	185
Inclusion of profit (loss) for the year 2006	(77)	2,623	2,546
Decrease in shareholding	-	(1,769)	(1,769)
Balance at 31.12.2007	285	677	962

16.2 Movements in reserves and retained earnings during the year 2008

Legal reserve

Due to the fact that the legal reserve as per article 214 of the Spanish Companies Act was not fully constituted, the parent Company allocated Euros 325 thousand of 2007 profit to it.

Other reserves of the parent company

The reserves of the parent company have been increased as a result of the receipt of dividends from its subsidiaries totalling Euros 17,916 thousand, and have decreased as a result of the distribution of a extraordinary dividend of Euros 10,606 thousand against Reserves, adopted by the Extraordinary General Meeting of Shareholders of 25 April 2008 and proposed by the Board of Directors of 20 February 2008.

Reserves in fully consolidated companies

The movement as a whole in the Reserves in fully consolidated companies during the year 2008 have been as follows:

	Balance at 31.12.2007	Inclusion of 2007 results	Reclassification of dividends 2007	Merger ES	Cash flow hedging instruments	Capital increase expenses	Balance at 31.12.2008
Renta Corporación							
Real Estate R.A. S.A.U.	5,900	4,477	(3,673)	(8,704)	-	-	-
Renta Corporación							
Real Estate G.O., S.L.U.	7,914	7,011	(5,800)	(9,125)	-	-	-
Renta Corporación							
Real Estate ES, S.A.U.	15,377	16,739	(8,443)	15,829	-	(254)	39,248
Groupe Immobilier							
Renta Corporación, S.A. S.U	11,450	(2,276)	-	-	-	-	9,174
Renta Corporación Real Estate Finance, S.L.U.	20,744	(1,152)	-	-	(1,477)	-	18,115
Renta Properties (UK) Limited	(998)	(2,757)	-	-	-	-	(3,355)
Renta Corporación Luxembourg	3,550	8,136	-	-	-	-	11,686
RC Real Estate Deutschland	105	(410)	-	-	-	-	(305)
Renta Corporation	-	(750)	-	-	-	-	(750)
Total	64,442	29,018	(17,916)	-	(1,477)	(254)	73,813

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

Reserves in companies consolidated by equity accounting

The movement as a whole in Reserves in companies consolidated by equity accounting during the year 2008 has been as follows:

	<u>Masella Oeste, S.L.</u>	<u>Mixta África, S.A.</u>	<u>Total</u>
Balance at 31.12.2007	<u>285</u>	<u>677</u>	<u>962</u>
Inclusion of results/variation in shareholding in equity in 2007	(2)	5,818	5,816
Decrease in shareholding	-	(6,495)	(6,495)
Balance at 31.12.2008	<u>283</u>	<u>-</u>	<u>283</u>

16.3 Legal reserve

This reserve is not available for distribution and if it is used to offset losses should no other reserves be sufficiently available, it must be replenished out of future profits.

16.4 Other reserves of the Parent Company

These reserves are voluntary and are freely available for distribution.

16.5 Reserves in fully consolidated companies

Includes restricted reserves (as they are legal reserves) for 2008 and 2007 as follows:

	2008	2007
Renta Corporación Real Estate ES, S.A.U.	24	24
Renta Corporación Real Estate R.A., S.A.U.	-	100
Renta Corporación Real Estate G.O., S.L.U.	-	37
Groupe Immobilier Renta Corporación, S.A.S.U.	4	4
Renta Corporación Real Estate Finance, S.L.U.	1	1
Renta Corporación Luxembourg, S.ar.l.	1	1
	<u>30</u>	<u>167</u>

The individual reserves of each company, as well as results for the year, are freely distributable, due to the fact that there are no restrictions on their distribution.

16.6 Reserves in companies consolidated by equity accounting

Includes restricted legal reserves totalling Euros 58 thousand in 2008 and Euros 58 thousand in 2007.

16.7 Profit (loss) for the year

The contribution of each company in the consolidation scope to consolidated income, and the part relating to minority interests, including consolidation adjustments, is as follows:

	2008	2007
	<u>Consolidated income</u>	<u>Consolidated income</u>
Company		
Renta Corporación Real Estate, S.A.	7,879	518
Renta Corporación Real Estate R.A., S.A.U.	-	4,477
Renta Corporación Real Estate G.O., S.L.U.	-	7,011
Renta Corporación Real Estate ES, S.A.U.	(55,418)	16,739
Groupe Immobilier Renta Corporación, S.A.S.U.	(13,485)	(2,276)
Renta Corporación Real Estate Finance, S.L.U.	(3,585)	(1,152)
Renta Properties (UK), Limited	(32,173)	(2,757)
Renta Corporación Luxembourg, S.à.r.l	(2,418)	8,136
RC Real Estate Deutschland GmbH	(4,345)	(410)
Renta Corporation (USA)	(7,995)	(750)
Mixta África, S.A.	-	5,818
Masella Oeste, S.L.	8	(2)
	<u>(111,532)</u>	<u>35,352</u>

The proposed distribution of 2008 results and other reserves of the parent Company to be presented to the General Meeting of Shareholders, as well as the adopted distribution for 2007 is as follows:

Basis of distribution	<u>2008</u>	<u>2007</u>
Income for the year	(31,156)	11,023
Distribution		
Legal reserve	-	325
Voluntary reserves	-	92
Dividends	-	10,606
Loss brought forward	(31,156)	-
	<u>(31,156)</u>	<u>11,023</u>

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

17. Trade and other payables

	2008		2007	
	Current	Non-current	Current	Non-current
Trade creditors	50,157	3,313	56,956	9,613
Amounts owing to related parties (note 34)	-	-	58	-
Accrued wages and salaries	2,133	-	2,046	-
Deferred income	568	-	1,617	-
Other payables	1,742	-	1,295	-
Deposits received from customers (earnest money)	18,062	-	27,027	-
Social Security and other taxes	1,015	-	1,897	-
	<u>73,677</u>	<u>3,313</u>	<u>90,896</u>	<u>9,613</u>

Other payables for the year 2008 includes short-term deposits and guarantee deposits received.

18. Borrowings

	2008	2007
Current		
Loans/credit facilities from financial institutions	25,121	90,931
Mortgage-backed loans	124,854	98,552
Syndicated loan	500,000	-
Interest debt	12,672	3,317
	<u>662,647</u>	<u>192,800</u>
Non-current		
Syndicated loan	-	495,976
Mortgage-backed loans head office and other borrowings	-	52,629
	<u>-</u>	<u>548,605</u>
Total borrowings	<u>662,647</u>	<u>741,405</u>

Bank loans accrue a market interest rate at the Euribor plus a spread. Therefore, the fair value of the long-term borrowings is approximate to their book value.

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

The movement in borrowings during 2008 and 2007 has been as follows:

	Loans from financial institutions	Mortgage Backed Loans	Interest debt	Syndicated loan	Total
At 1 January 2007	188,805	316,732	1,776	-	507,313
Financing	94,150	61,500	-	500,000	655,650
Cancellation of financing	(191,847)	(226,491)	-	-	(418,338)
Interest charged	40	23	20,439	940	21,442
Interest paid	(217)	(583)	(18,898)	(4,964)	(24,662)
Balance at 31 December 2007	90,931	151,181	3,317	495,976	741,405
Financing	-	133,892	-	-	133,892
Cancellation of financing	(65,810)	(160,219)	-	-	(226,029)
Interest charged	-	-	43,107	4,024	47,131
Interest paid	-	-	(33,752)	-	(33,752)
Balance at 31 December 2008	2,121	124,854	12,672	500,000	662,647

On 15 February 2007 the Renta Corporación, through Renta Corporación Real Estate, S.A. and Renta Corporación Real Estate Finance, S.L.U. entered into a syndicated loan agreement for Euros 500 million. The operation was led by Santander, Eurohypo and Fortis as the leading entities and insurers. The BBVA has also entered as a leading entity, along with 17 other national and international entities that make up this bank syndicate.

This was the Company's first operation in the structured financial market. The borrowing was structured into two tranches: the first, Euros 200 million, maturing in 5 years, with a grace period of 36 months; and the second, Euros 300 million, through a revolving line of credit at 5 years. The funds will be allocated to the investment plan and the redefinition of the structure of the Company's current debt.

The interest rate accrued on the syndicated loan is the market rate linked to the Euribor plus a variable spread based on certain financial ratios. During the year interest rate hedge contracts have been executed to reduce the volatility of financial costs (see Notes 3.1 and 10).

Access to long-term borrowing will allow for improvements in management, significant cost savings due to decreased formalisation costs, and the application, by Renta Corporación, of interest rate risk management policies, which have been much more difficult to arrange due to the high turnover of the Company's financing operations.

Throughout 2008, the worsening of the financial and economic crisis in general has toughed credit terms. Therefore, Company Management has begun in the first half of 2008 negotiations with financial institutions in order to reduce liquidity and credit squeezes, obtaining, on 8 august 2008, a temporary waiver from most of the financial entities party to the syndicated loan, depending on compliance with certain terms and conditions. This agreement has allowed the company to bring the syndicated loan into line with the new market situation at the 2009 year end.

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

Even so, given the progressive, sharp deterioration of the financial markets, on 10 October 2008 the company reopened negotiations with the financial institutions party to the syndicated loan in order to make a structural re-arrangement of its financing, and the terms and conditions, in order to stabilise its borrowings in the short, medium and long-term. These negotiations included the possibility of reducing debt through the sale of real estate assets to the financial institutions.

At the 2008 year end the structural re-arrangement of the debt was still being negotiated, and, accordingly, for transparency purposes, this debt has been presented as current liabilities. However, at the date of preparation of these annual accounts, the Group has reached a long-term re-financing agreement, subject to the execution of asset purchase and sale commitments agreed with the financial institutions. (Note 36).

The group has credit facilities in the following amounts and up to the following maximum limits at 31 December 2008 and 2007.

2008		2007	
Amount drawn down	Maximum limit	Amount drawn down	Maximum limit
25,121	25,121	82,568	96,800

The amount relating to the mortgage-backed loans is guaranteed by buildings owned by the different Group companies and carried under Inventories (Note 12) and by the building housing the new head office of the Group which is carried under PPE (Note 6).

For borrowings as a whole for 2008, the average interest rate obtained was 5.3% p.a., while in 2007 the average interest rate has been 4.82% p.a.

Interest accrued and not settled at the year 2008 and 2007 end totals Euros 12,672 thousand and Euros 3,317 thousand, respectively.

The book value of borrowings of the Group is denominated in the following currencies:

	2008	2007
Euro	662,647	739,097
Pound Sterling	-	2,308
	<u>662,647</u>	<u>741,405</u>

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

19. Deferred taxes

The gross movement in deferred taxes assets has been as follows:

	2008	2007
Opening balance	583	1,420
(Charge)/Credit in the income statement	39,262	(837)
(Charge)/Credit in net equity	(112)	-
Reclassification tax credits	1,692	-
Closing balance	41,425	583

The movements in deferred tax assets have been as follows:

Deferred tax assets	Tax credits	Prepaid expenses for sales commissions	Prepaid expenses generated from amortisations	Deferral of Tax income	Others	Total
At 1 January 2007	-	(5)	25	1,204	196	1,420
(Charge) / credit in income statement	-	-	(23)	(1,204)	390	(837)
At 31 December 2007	-	(5)	2	-	586	583
(Charge) / credit in income statement	39,262	-	-	-	-	39,262
(Charge) / credit in net equity	-	-	-	-	(112)	(112)
Reclassification tax credits	1,692	-	-	-	-	1,692
At 31 December 2008	40,954	(5)	2	-	474	41,425

The gross movement in deferred tax liabilities has been as follows:

	2008	2007
Opening balance	11,505	1,124
Charge/(credit) in net equity	(332)	633
Charge/credit in the income statement (Note 27)	(1,077)	9,748
Offset of deferred tax assets	(2,409)	-
Closing balance	7,687	11,505

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

The movements in deferred tax liabilities have been as follows:

Deferred tax liabilities	Variation in valuation of Mixta Africa	Capitalisation of financial costs	Financial hedging instruments	Depreciation of securities portfolio	Total
At 1 January 2007	(1,124)	-	-	-	(1,124)
(Charge) / credit in equity	-	-	(633)	-	(633)
(Charge) / credit in income statement	(3,195)	(4,144)	-	(2,409)	(9,748)
At 31 December 2007	(4,319)	(4,144)	(633)	(2,409)	(11,505)
(Charge) / credit in equity	(301)	-	633	-	332
(Charge) / credit in income statement	3,427	(2,350)	-	-	1,077
Offset of deferred tax assets	-	-	-	2,409	2,409
At 31 December 2008	(1,193)	(6,494)	-	-	(7,687)

There are no unrecognised, relevant deferred tax assets or deferred tax liabilities.

20. Revenue and other operating income

20.1 Revenue

The breakdown of ordinary income is as follows:

	<u>2008</u>	<u>2007</u>
Sale of assets (Note 5)	244,133	529,107
Revenue	<u>244,133</u>	<u>529,107</u>

20.2 Other operating income

The breakdown Other operating income is as follows:

	<u>2008</u>	<u>2007</u>
Income from operating leases (Note 12)	15,615	10,895
Other income	4,121	4,870
Total other operating income	<u>19,736</u>	<u>15,765</u>

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

21. Consumption of goods for sale

The breakdown of Supplies is as follows:

	<u>2008</u>	<u>2007</u>
Purchases of buildings and transformation costs	130,101	567,553
Variation in inventories of buildings	124,893	(136,948)
Variation in provision for inventories	57,406	2,027
Total consumption of goods for sale (Note 12)	<u>312,400</u>	<u>432,632</u>

22. Asset depreciation and impairment losses

The breakdown of asset depreciation and impairment is as follows:

	<u>2008</u>	<u>2007</u>
Charge for depreciation of property, plant and equipment	1,763	529
Charge impairment of property, plant and equipment	2,379	-
Charge amortisation of intangible assets	228	82
Losses on disposal of property, plant and equipment and intangible assets	96	581
Losses on bad debts	995	144
	<u>5,461</u>	<u>1,336</u>

23. External services expenses and other taxes

23.1 External services expenses

The breakdown of Other operating expenses is as follows:

	<u>2008</u>	<u>2007</u>
Leases and royalties	700	1,054
Repairs and maintenance	2,065	1,199
Professional and brokering services	11,096	9,778
Insurance premiums	1,025	560
Banking and the like	1,610	2,183
Publicity, advertising and public relations	3,175	6,407
Supplies	1,251	1,012
Other services	24,674	7,384
	<u>45,596</u>	<u>29,577</u>

Professional and brokering services mainly includes brokering commissions and the cost of advisors and lawyers.

Other services includes among others unexercised purchase options totalling Euros 1,676 thousand. (See Note 33).

23.2 Other taxes

Other taxes basically include special municipal taxes totalling Euros 2,594 thousand, and non-deductible Value-Added Tax totalling Euros 2,148 thousand and other local taxes totalling Euros 444 thousand.

24. Employee benefit expense

The breakdown in the accounts under Employee benefits is as follows:

	<u>2008</u>	<u>2007</u>
Wages, salaries and severance payments (2008: Euros 4,348 thousand and 2007: Euros 177 thousand)	17,813	15,668
Social Security expenses	1,653	1,707
Other social welfare expenses	359	425
Contributions to the defined contribution plan	78	30
Share-based payment (note 35)	1,015	809
	<u>20,918</u>	<u>18,639</u>

The severance indemnities have increased notably against prior years due to the need to restructure staff in order to align the company with current and future business. Three executive members of the Board of Directors have resigned.

25. Operating lease

The minimum future uncancellable operating lease payments are as follows:

	<u>2008</u>	<u>2007</u>
Less than 1 year	601	389
Between 1 and 5 years	1,130	989
	<u>1,731</u>	<u>1,378</u>

The expense recognised in the profit and loss account for the year relating to operating leases totals Euros 652 thousand (2007: Euros 984 thousand).

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

In the operating lease agreements executed by different Group companies, the asset leased relates to the offices of national and foreign branches. The main information on these agreements is as follows:

<u>Group Company</u>	<u>Leased asset</u>	<u>Location</u>	<u>Maturity of lease agreement</u>	<u>Monthly rental payment (Thousand Euros)</u>
Renta Corporación Real Estate, S.A.	Branch	Madrid	10/04/2012	15
Renta Corporación Real Estate, S.A.	Branch	Malaga	30/09/2010	1
Groupe Immobilier Renta Corporación, S.A.S.U.	Branch	Paris	28/02/2011	6
Renta Properties (UK), Limited	Branch	London	27/01/2010	3
RC Real Estate Deutschland GmbH	Branch	Berlin	12/12/2009	3
Renta Corporación Luxembourg, S.r.l.	Branch	Luxembourg	31/08/2009	1
Renta Corporation (USA)	Branch	New York	31/12/2013	16
Renta Corporación Real Estate, S.A.	Branch	Dubai	05/11/2009	6

The minimum future payments receivable for operating leases that cannot be cancelled are as follows:

	<u>2008</u>	<u>2007</u>
Less than 1 year	2,175	1,593
Between 1 and 5 years	5,005	4,679
More than 5 years	875	1,080
	<u>8,055</u>	<u>7,352</u>

26. Net financial costs

The breakdown of this account is as follows:

	<u>2008</u>	<u>2007</u>
Interest expense:		
– Bank loans	(31,059)	(13,397)
– Exchange differences (Note 28)	(17,223)	(4,733)
	<u>(48,282)</u>	<u>(18,130)</u>
– Variation in fair value derivatives (Note 10)	<u>(6,253)</u>	<u>-</u>
Interest income:		
– Other	1,630	1,913
– Exchange differences (Note 28)	8,903	704
	<u>10,533</u>	<u>2,617</u>
Net financial costs	<u>(44,002)</u>	<u>(15,513)</u>

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

In the statement of cash flows, the interest paid includes:

	<u>2008</u>	<u>2007</u>
Interest expense		
Provision for interest accrued and not paid at the beginning of the year	48,282	18,130
Provision for interest accrued and not paid at the year end	3,317	1,776
Interest capitalised under inventories	(12,672)	(3,317)
	16,373	23,793
	55,300	40,382

In the statement of cash flows, the interest received includes:

	<u>2008</u>	<u>2007</u>
Interest income		
Provision for interest accrued and not received at the beginning of the year	10,532	2,617
Provision for interest accrued and not received at the year end	286	95
	(289)	(286)
	10,529	2,426

27. Income tax

The tax accrued breaks down as follows:

	<u>2008</u>	<u>2007</u>
Current tax	711	3,518
Deferred tax	(40,339)	10,585
	(39,628)	14,103

The reconciliation between the real and theoretical tax expense is as follows:

	<u>2008</u>	<u>2007</u>
Consolidated profit before income tax	(151,160)	49,455
Theoretical tax rate	30%	32.5%
Theoretical tax expense	(45,348)	16,073
Non-deductible expenses	(97)	44
Differences for using different tax rates	6,515	(1,904)
Deductions	(698)	(110)
Real income tax expense	(39,628)	14,103

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

The current tax charge is made up as follows:

	<u>2008</u>	<u>2007</u>
Current tax of companies taxed under the consolidation tax regime	-	6,492
Current tax of Groupe Immobilier Renta Corporation, S.A.S.U.	-	(1,507)
Current tax of RC Real Estate Deutschland GmbH	-	(174)
Current tax of RC Real Estate Luxembourg, S.a.r.l.	-	(138)
Current tax of Renta Corporation (USA)	-	(595)
Current tax of Renta Properties (UK), Limited	-	(796)
Other movements	711	236
	<u>711</u>	<u>3,518</u>

The current tax liability/(asset) is broken down as follows:

	<u>2008</u>	<u>2007</u>
Charge for current tax	711	3,518
Withholding and payments on account of corporate income tax of companies taxed under the consolidation tax regime	-	(11,266)
Withholding and payments on account of corporate income tax Groupe Immobilier Renta Corporation, S.A.S.U.	-	(5,661)
Withholding and payments on account of corporate income tax RC Real Estate Deutschland, GmbH	-	(123)
Tax credit for tax loss carryforwards	-	3,210
Other movements	(711)	(236)
	<u>-</u>	<u>(10,558)</u>

In the cash flow statement, taxes paid include:

	<u>2008</u>	<u>2007</u>
Tax accrued	711	3,518
Current tax liability (asset) at beginning of the year	(10,558)	14,587
Current tax liability (asset) at the year end	-	10,558
	<u>(9,847)</u>	<u>28,663</u>

27.1 Tax consolidation

As the Company meets the requirements set down in the Group Companies Corporate Income Tax Regime Chapter VII, Section VIII of Royal Legislative Decree 4/2004 of 5 March, which adopted the Corporate Tax Act, it filed as parent company, for the first time in 2002, a consolidated tax return in conjunction with Renta Corporación Real Estate R.A., S.A.U., Renta Corporación Real Estate G.O., S.L.U., Renta Corporación Real Estate O.N., S.A.U. and Renta Corporación Real Estate Finance, S.L.U. As from 1 January 2008, due the merger of Renta Corporación Real Estate O.N, S.A.U. (merging company) and Renta Corporación Real Estate R.A., S.A.U. and Renta Corporación Real Estate G.O., S.L.U (merged companies) and later change in registered name of the merging Company to Renta Corporación Real Estate ES, S.A., the latter is parent of the tax consolidation.

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

Due to the fact that certain operations are treated differently for corporate income tax purposes, and for the purposes of these financial statements, the taxable income for the year differs from accounting profit.

The current income tax charge comes to 30% and 32.5%, for the years 2008 and 2007 respectively, of the taxable income for corporate income tax purposes less the respective deductions:

	<u>2008</u>	<u>2007</u>
Taxable income	(146,676)	20,316
Tax rate	30%	32.5%
Tax	<u>(44,003)</u>	<u>6,602</u>
Professional training deduction	8	15
Deduction for contribution to Fundación Privada Renta Corporación	30	95
Deduction for reinvestment of extraordinary profit	<u>660</u>	<u>—</u>
Current tax charge/ credit	<u>(44,701)</u>	<u>6,492</u>

The parent Company and its subsidiaries have withheld and paid corporate taxes on account as follows:

	<u>2008</u>	<u>2007</u>
Withholding	246	267
Payment on account of corporate income tax	-	10,999

In accordance with article 42 of Royal Decree Law 4/2004/5 March, which adopted the Corporate Income Tax Act, the parent Company has applied a deduction of Euros 660 thousand for the reinvestment of profit from the sale of shares in an associate.

At 31 December 2007 the parent Company and its subsidiaries did not have deductions available for offset, while at 31 December 2008 the parent Company has deductions for the same item described in the preceding paragraph totalling Euros 2,290 thousand, from which it can benefit in the years 2009 and 2010.

27.2 Other matters

All the companies in the consolidation scope are open to tax inspection for all the applicable taxes for the last four years as from their incorporation, except for Groupe Immobilier Renta Corporación, S.A.S.U., which was audited by the Tax Authorities for the years 2003 to 2005. No significant liabilities have arisen as a result, and the tax inspections are now closed.

As a result, amongst other things, of the different interpretations to which Spanish tax legislation lends itself, additional tax liabilities may arise in the event of a tax inspection. The Directors of the parent Company consider, however, that any additional assessments that might be made would not significantly affect these annual accounts.

28. Net gains / (losses) from exchange differences

The exchange differences (charged) / credited to the profit and loss account include the following items and amounts:

	<u>2008</u>	<u>2007</u>
Loss on exchange	(17,223)	(4,733)
Gains on exchange	8,903	704
	<u>(8,320)</u>	<u>(4,029)</u>

These differences have been generated by the Group's operations in Pounds Sterling and US Dollars. During 2007 and 2008 the Group has contracted various exchange rate hedges on a part of the amount financed, given the depreciation that these currencies are undergoing in relation to the Euro (see Notes 3 and Note 10). These differences on exchange are carried under Other interest expenses and Other interest income.

29. Earnings per share

29.1 Basic

Basic earnings per share are calculated by dividing the profit attributable to the Company's equity holders by the average weighted number of ordinary shares in circulation during the year, excluding treasury shares acquired by the Company (Note 13.3).

	<u>2008</u>	<u>2007</u>
Profit attributable to the Company's shareholders (Thousand Euros)	(111,532)	35,352
Average number of ordinary shares in circulation	24,732,338	24,878,874
Basic earnings per share (€ per share)	<u>(4.51)</u>	<u>1.42</u>

29.2 Diluted

Diluted earnings per share are calculated by adjusting the average weighted number of ordinary shares in circulation in order to reflect the conversion of all the potential dilutive ordinary shares. There are no differences in relation to the basic shares.

30. Dividends per share

The dividends paid in 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Dividends paid (thousand)		
Dividend per share (€ per share)	10,606 0.42	14,250 0.57

The General Meeting of Shareholders of 29 March 2007 adopted a resolution to pay out a dividend of Euros 0.57 per share for 2006. On 12 April 2007 the company paid this dividend.

At the General Meeting of Shareholders of 25 April 2008 a dividend of Euro 0.42 per share was adopted for 2007. On 7 March 2008 the Company paid this dividend.

31. Cash generated from operating activities

	<u>Note</u>	<u>2008</u>	<u>2007</u>
Profit (loss) for the year attributable to the parent Company		(111,532)	35,352
Adjustments for:			
- Taxes	27	(39,628)	14,103
- Depreciation and impairment of property, plant and equipment	6	4,142	529
- Amortisation of intangible assets	7	228	82
- (Profit)/loss on the disposal of property, plant and equipment (see below)		(13,470)	581
- Interest income	26	(10,532)	(2,617)
- Interest expense	26	54,535	18,130
- Allowance / (utilisation) provision for liabilities and charges	32	(67)	(724)
- Allowance to share plan	24	1,015	809
- Participation in the loss / (profit) of associates	8	(4,951)	(9,010)
Variations in working capital			
- Inventories		216,207	(148,700)
- Interest capitalised in inventories		16,373	23,793
- Translation differences in working capital	15	(4,623)	(2,057)
- Trade and other receivables		54,899	41,258
- Prepayments		-	70
- Non-current trade and other payables		(6,300)	9,613
- Trade and other payables		(17,219)	(66,821)
Cash absorbed by operations		<u>139,077</u>	<u>(85,619)</u>

In the cash flow statement, the income from the sale of property, plant and equipment, intangible assets and financial investments includes:

	<u>2008</u>	<u>2007</u>
Book value (Notes 6, 7 and 8)	11,334	626
Profit / (loss) on the disposal of property, plant and equipment	-	(581)
Amount collected from the disposal of property, plant and equipment	-	45
Gain / (loss) on the sale of financial investments	<u>13,470</u>	<u>151</u>
Amount received from the sale of financial investments	<u>24,804</u>	<u>151</u>

32. Contingencies/provisions

Contingencies

There are no, nor have there been, any governmental, legal, judicial or arbitral proceedings (including those underway or pending resolution or those that the Directors are aware of that would affect the Company or the Group companies) that have had in the recent past and/or could have in the future significant effects on the Company or on the profitability of the Group.

The number of claims and litigation (including litigation underway or pending judgement) in which the Renta Corporación Group is involved or affected in any way during the year is rather small, and, in any case, relating to rather insignificant matters, mostly related to the termination of works or issues relating to preferential acquisition rights.

Provisions

Group Management set up a provision at 31 December 2007 to cover the liability for litigation and other claims, and, as the case may be, the current obligations, contingent liabilities and commitments the Group must face, classified under provisions for liabilities and charges.

The purposes of the provision for liabilities and charges is to cover the liabilities and obligations of the Company in relation to claims and litigation with administrative and court authorities. These arise basically from possible different interpretations of tax law in force, specifically relating to the application of the Transfer Tax and the calculation of the tax on buildings, plant and works (ICIO). There are no claims or litigation whose amount is considered relevant when taken individually.

The Company considers that the utilisation of this provision is indeterminate in time and in any case greater than one year. Its expiry is not clearly established since it depends on external factors, such as how quickly the competent courts and authorities expedite their remit.

The quantification of this provision is based on the amounts claimed by the competent authorities.

The balance at this provision at 31 December 2007 totalled Euros 3,936 thousand. During the year 2008 Euros 67 thousand have been utilised, and the resulting final amount is Euros 3,869 thousand.

33. Commitments

The nature of the business of the Renta Corporación Group means that the buildings acquired are accounted for as inventories.

At 31 December 2008 the Group has given guarantees in favour of third parties and financial entities totalling Euros 84,037 thousand (2007: Euros 156,744 thousand). These guarantees have been allocated for the most part to guarantee amounts received during the pre-sale of buildings and are included in current assets of the Group under Creditors and other accounts payable, as well as to guarantee the payment obligations contracted in the purchase of buildings with deferred payment.

At 31 December 2008 the parent company has given personal guarantees in favour of third parties totalling Euros 600 thousand (2007: Euros 600 thousand) mostly to guarantee purchases with deferred payment.

Inventories includes the premiums paid by the Group on purchases options for real estate assets. The following table shows the number of options in the portfolio, their cost and investment rights they represent at 31 December:

	2008	2007
Number of options	6	26
Option premiums	6,338	26,447
Investment rights of purchase options	73,557	506,731

In 2008 14 purchase options were rejected during the year (12 in 2007). The losses on these unexercised options totalled Euros 14,449 thousand (Euros 4,731 thousand in 2007), and the losses related to options provided for but not matured totalled Euros 8,365 thousand.

At 31 December 2008 there are no relevant third party contracts outside the scope of the Company's business and no contracts with any members of the Group containing a clause by virtue of which any member of the Group has a relevant obligation or a right in relation to the Group.

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

34. Balances and transactions with companies and related parties

34.1 Identification of companies and related parties

34.1.1 Members of the governing bodies of Renta Corporación Real Estate, S.A.

We set out below the composition of the Board of Directors and the status of its members in accordance with the Articles of Association and the Regulations of the Board of Directors of the Company:

Name	Office	Nature of office
Mr. Luis Hernández de Cabanyes	Chairman and Chief Executive Officer	Executive
Mr. David Vila Balta	Vice-Chairman Chief Executive Officer	Executive
Mr. Juan Velayos Luis		Executive
Ms. Esther Elisa Giménez Arribas	Director	External independent
Mr. Carlos Solchaga Catalán		External independent
Mr. Juan Gallostra Isern	Director	External independent
Mr. Carlos Tusquets Trias de Bes	Director	External independent
Mr. Ramchand Wadhwanal Bhavnani	Director	Proprietary director
Mr. Blas Herrero Fernández	Director	Proprietary director
Mr. César A. Gibernau Ausió	Director	Other external director
Mr. Pedro Nueno Iniesta	Director	Other external director
Ms. Elena Hernández de Cabanyes	Non-voting Secretary	Other external director
Mr. Javier Carrasco Brugada		-

34.1.2 Key management of the Company.

In 2007, according to the definition of a senior manager in the Unified Code of Good Governance, the Company's key managers are those persons who form part of senior management plus the internal auditor. There are 5 key managers plus 1, including the aforementioned four executive officers.

34.1.3 Control of the Board of Directors in the share capital of Renta Corporación Real Estate, S.A.

The Members of the Board of Directors have the following interests or control at 31 December 2008:

Name	% shares		
	Direct	Indirect	Total
Mr. Luis Hernández de Cabanyes	1.087%	38.021%	39.108%
Mr. David Vila Balta	0.453%	-	0.453%
Mr. Juan Velayos Luis	0.004%	-	0.004%
Ms. Esther Elisa Gimenez Arribas	0.004%	2.219%	2.223%
Mr. Carlos Solchaga Catala	-	-	-
Mr. Juan Gallostra Isern	-	-	-
Mr. Carlos Tusquets Trias de Bes	-	0.400%	0.400%
Mr. Ramchand Wadhwanal Bhavnani	-	1.438%	1.438%
Mr. Blas Herrero Fernandez	-	7.927%	7.927%
Mr. Cesar. A. Gibernau Ausio	0.387%	-	0.387%
Mr. Pedro Nueno Iniesta	-	-	-
Ms. Elena Hernandez de Cabanyes	2.451%	-	2.451%

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

34.2 Sales of assets, provision of service and financial income

	<u>2008</u>	<u>2007</u>
Sale of assets:		
Companies related by a common shareholder	-	2,630
- Alta Business Serveis, S.L.		
	-	2,630
	8,000	119
Key management and directors		
	8,000	2,749
Total sale of assets		

Additionally, certain directors in 2007 have paid earnest money totalling Euros 1 million for the acquisition of flats.

	<u>2008</u>	<u>2007</u>
Provision of services:		
Companies related by a common shareholder		
- Mixta Africa, S.A. (Note 8)	22	125
- Funda Privada Renta Corporación	27	-
	49	125
Key management and directors	-	6
Total provision of services:	49	131

34.3 Purchases of assets, services received and financial expenses

	<u>2008</u>	<u>2007</u>
Services received:		
Companies related by a common shareholder		
- Second House, S.A.	24	187
- Second House Rehabilitación, S.L.U.	121	83
- Closa Asociados. Correduría de Seguros, S.L.	858	336
- Fundación Privada Renta Corporación (donación)	90	292
- Gibernau & Plana Asociados, S.L.	130	206
- Instituto Internacional de Finanzas, S.L.	50	101
- Near Technologies, S.L.	155	91
- Servei de Documentació i Gestió	1	1
- Pentalin 2000, S.L.	-	150
- Aladin Capital, S.L.	88	-
- Test Tecnología de Sistemas, S.L.	9	-
	1,526	1,447
	16	273
Key management and directors and other		
	1,542	1,720
Total services received:		

At 31 December 2008 the Master Agreement entered into by Renta Corporación Real Estate, S.A. and Second House, S.A., was ratified by the Board of Directors. This agreement regulates the collaborative commercial and contractual relations between both parties, the brokering of sales, consultancy on high end product design, the purchase of dwellings and recruitment.

34.4 Remuneration paid to Members of the Board of Directors of the Company

We set out below a table showing the remuneration received only by Members of the Board of Directors of the Company in 2008 and 2007:

	2008	2007
Attendance at meetings of the Board of Directors / Delegated Committees	449	528

In 2008 the remuneration received by the directors for attending meetings of the Board remained in line with 2007, with no increase whatsoever. Additionally, as from February 2008, the executive officers and the non-voting secretary waived receipt of any remuneration.

The total amount in life and accident insurance premiums as well as civil liability insurance premiums paid by the Company for Members of the Board of Directors and senior managers totals Euros 11 thousand (2007: Euros 10 thousand) and Euros 74 thousand (2007: Euros 69 thousand), respectively, in 2007. Furthermore, the total amount of medical insurance premiums paid by the Company for top management and executive directors of the Company total Euros 3 thousand (2007: Euros 4 thousand).

34.5 Salaries and other contributions of key management and Members of the Board

	2008	2007
Salaries and other contributions to Executive Board Members	4,828	3,816
Salaries and other remuneration to the rest of key management	<u>1,123</u>	<u>1,878</u>
	<u>5,951</u>	<u>5,694</u>

In 2008 the remuneration of Executive Officers includes non-recurrent expenses totalling Euros 3,575 thousand for salaries, severance payments and other benefits of Executive Officers who have left the Company during the year. Excluding this non-recurrent item the remuneration of the executive officers and key managers totalled Euros 2,376 thousand in 2008. Furthermore, Salaries and other remuneration of Executive Officers and other key managers includes the expense accrued for the share plan (Note 24), which totals Euros 218 thousand (Euros 332 thousand in 2007) and Euros 98 thousand (Euros 173 thousand in 2007), respectively.

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

34.6 Year end balances arising from sales and purchases of assets and services

	<u>2008</u>	<u>2007</u>
Accounts receivable		
Companies related by a common shareholder		
- Mixta África, S.A.	-	145
- Fundación Privada Renta Corporación	5	-
- Alta Business Serveis, S.L.	-	430
	5	575
Key management and directors	-	30
Total accounts receivable	5	605

	<u>2008</u>	<u>2007</u>
Accounts payable		
Companies related by a common shareholder		
- Second House, S.A.	-	24
- Second house Rehabilitación, S.L.U.	-	1
- Near Technologies, S.L.	-	9
- Fundación Privada Renta Corporación (donation)	-	24
	-	58
Key management and directors	-	-
Total accounts payable	-	58

34.7 Shareholdings of the Members of the Board of Directors

In accordance with the provisions of article 127.3.4 of the Spanish Companies Act, adopted by Law 26/2003 of 17 July, which modified the Stock Exchange Act, Law 24/1988, of 28 July and the Spanish Companies Act, in order to reinforce the transparency of public limited companies, we set out below the companies with the same, analogous or complementary activity as that which constitutes the corporate purpose of the Company in which Members of the Board of Directors hold an interest, including the shareholdings that they hold in group companies and the offices and functions, as the case may be, they hold therein:

Name	Name of company	Shareholding	Office or functions
Mr. Luis Hernández de Cabanyes	SECOND HOUSE, S.A.	47.5%	-
	FINANTING 2001, S.L.	63.15%	Sole Shareholder
	AURODOC 75, S.L.	69.13%	Sole Shareholder
	TOGA 20, S.L.	63.15%	Sole Shareholder
	SDEEGTUTERS, S.L.	63.15%	Sole Shareholder

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

Name	Name of company	Shareholding	Office or functions
Mr. David Vila Balta	DINOMEN, S.L.	62.04%	Sole Shareholder
	ALDERAMIN STAR, S.L.	62.04%	Sole Shareholder
	MIXTA AFRICA, S.A.	14.59%	Director
	SECOND HOUSE, S.A.	0.53%	-
Mr. Juan Velayos Lluís	MIXTA AFRICA, S.A.	0.22%	Director
	MIXTA AFRICA, S.A.	0.4%	Non-voting Secretary
Ms. Esther Elisa Giménez Arribas	SECOND HOUSE, S.A.	4.13%	-
	ANPOL CAPITAL, S.L.	48.387%	Several Administrator
	MIXTA AFRICA, S.A.	0.15%	Natural person representing the Board Member Fundación Privada Renta
Mr. Juan Gallostra Isern	TIZZANO NOVARA, S.L.	50%	Several Administrator
	TRACENLIT WORLD, S.L.	50%	-
	GROUP JG INGENIEROS CONSULTORES DE PROYECTOS, S.A.	5.78%	Chief Executive Officer
Mr. Carlos Tusquets Trias De Bes	LIFE MARINA IBIZA, S.L.	6.54%	Director
Mr. Ramchand Wadhwal Bhavnani	CASA KISHOO, S.A.	25%	Chief Executive Officer and secretary
	JANSI KI RANI, S.L.	2%	-
	EL CORTE HINDU, S.L.	1.68%	-
Mr. Blas Herrero Fernández	HBV CASAS, S.A.	98.35%	Several Administrator
	ARGIA INVESTMENTS INMOBILIARIAS, S.A.	47.89%	Director
	BARANDON INVESTMENTS, S.L.	13.77%	Joint Administrator
	UNITS 3501/3503 FBII, LLC	98.35%	Director
	INMOBILIARIA PORCEYO, S.A.	51%	Joint Administrator
	INVESTMENTS SB, S.L.	50%	Joint Administrator
	GESTORA ASTURIANA, S.A.	50%	Joint Administrator
	FUENTE NOZANA, S.L.	50%	Joint Administrator
	PRODUCTOS LACTEOS DE CORNELLANA, S.L.	49.17%	Joint Administrator
	H&VB INVESVAL, S.A.	100%	Sole Shareholder

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

Name	Name of company	Shareholding	Office or functions
Mr. César A. Gibernau Ausió	BVCR TITULOS, S.L.	50%	Several Administrator
	SECOND HOUSE, S.A.	1.05%	-
	CHARCEBOY, S.L. GP CONSULTING, SL.	10.91% 0.095%	- General Power of Attorney
Ms. Elena Hernández de Cabanyes	MIXTA AFRICA, S.A.	0.22%	Director
	SECOND HOUSE, S.A.	3.66%	Sole Administrator
	MIXTA AFRICA, S.A.	0.87%	-
	PROMOTORA DE INDUSTRIAS GRÁFICAS, S.A. IGLU VERDE, S.L.	5% 50%	- Several Administrator
	INMO ERCINA, S.L.	50%	Several Administrator

35. Share based payments

The Company has decided to implement a new share plan scheme in 2008, in order to, like the one in 2006 and 2007, motivate loyalty and the retention of the receivers and beneficiaries of the plan by granting employees the status of Company shareholders. The plan consists of the distribution of shares over 3 years that accrue annually at a fixed rate for the first 12 and 24 months, and then the rest accrue until all the shares have been distributed by the end of the third year.

The accrual is generated during these periods. The number of shares to be given is determined on 30 June of each year, the starting dates of the respective plans, based on the salary conditions of each manager and/or employee and bearing in mind the average weighted share quotation for the month of June 2008, 2007 and 2006, respectively.

The Company informs each employee at mid-year (July) of the pre-granting of these shares.

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2008
(in Thousand Euros)

These shares are given to the employee in the period of 3 years following the pre-granting, based on a handover of 20% of this value in shares at the end of 12 months, 20% at the end of 24 months and 60% at the end of 36 months.

The accrual from this plan is made on a straight-line basis per tranche. Each tranche of shares accrues on a straight-line basis as from the time the employee is informed until handover. The shares accrue and are partially handed over annually while the total handover takes place at the end of the 3-year period.

The remuneration of this Plan is only contemplated through the handover of the equity instruments (shares), and cannot be swapped for cash.

In the event that the employee leaves the Group, there is no re-purchase plan, although the employee will only take away the shares given to him until that time, as the purpose of the plan is employee loyalty and team relations.

There are no other equity instruments given by the Group.

The accounting entry for the Share Plan involves a chart to the income statement under Staff costs and the respective counter-entry until Net equity, specifically under Share Plan Reserves.

The expense accrued at 31 December 2007 totalled Euros 809 thousand (see Note 24). The expense at 31 December 2008, for the share plans for 2006, 2007 and 2008, total Euros 1,015 thousand.

During 2008 the shares for the second tranche of the plan begun in 2006 have been distributed as well as the first tranche of the share plan begun in 2007.

36. Subsequent events

On 27 February 2009 the Group reached an agreement with the financial institutions which in February 2007 extended the syndicated loan of Euros 500 million. The most relevant aspects of the agreement, on the one hand, comprises the long-term refinancing of the debt under new terms and conditions adapted to current market circumstances, and, on the other hand, the agreement on the sale of assets that will significantly lower the Company's debt. This operation, after executing all the purchase and sale commitments of assets agreed with the financial entities, will allow the Company, in a maximum period of 90 days, to reduce its debt by Euros 380 million, bringing it to an amount below half its debt at the 2008 year end.

The new refinancing agreement will be based on a new long-term syndicated loan totalling Euros 254 million involving 17 lending institutions. Additionally, Euros 62.5 million will remain as bilateral mortgage financing. There is also additional access to liquidity of Euros 22 million, which will convincingly increase the group's stability. The financing of the syndicated loan will be arranged for a period of 7 years, with a grace period for the first two (2009 and 2010) of principal and interest and the remaining 5 years (2011 to 2015) of annual repayments.

37. Other information

37.1 Average number of Group employees by job category

	2008			2007		
	<u>Women</u>	<u>Men</u>	<u>Total</u>	<u>Women</u>	<u>Men</u>	<u>Total</u>
Managers	1	4	5	1	4	5
Sales personnel	26	17	43	27	20	47
Administrative personnel	48	6	54	46	4	50
Skilled experts	2	10	12	2	10	12
Legal personnel	8	-	8	8	-	8
Services personnel	3	4	7	4	3	7
TOTAL	88	41	129	88	41	129

37.2 Audit fees

The fees accrued to PricewaterhouseCoopers Auditores, S.L. for current auditing services for al the Group companies for the years ended 31 December 2008 and 2007 total Euros 251 and Euros 212 thousand, respectively.

During the year 2008 other fees accruing to PricewaterhouseCoopers Auditores have totalled Euros 55 thousand.

38. Environment

The parent Company and its subsidiaries have adopted the necessary measures to protect and improve the environment and minimise, as the case may be, environmental impact, by complying with current legislation in force. During the year the parent Company and its subsidiaries have not made environment-related investments or incurred expenses to protect and improve the environment, and, furthermore, they have not considered it necessary to set up any provisions for liabilities and charges of an environmental nature as they have no contingencies related to the protection and improvement of the environment or liabilities of an environmental nature.

RENTA CORPORACIÓN REAL ESTATE, S.A.
Consolidated annual accounts for 2008
(In thousand)

Subsidiary companies in the consolidation scope

Registered name	Registered office	Shareholding		Company holding title	Consolidation method	Activity	Auditor Registered name
		Cost in thousand Euros	%				
Renta Corporación Real Estate Finance, S.L.U.	Vía Augusta 252-260. Barcelona (Spain)	607	100%	Renta Corporación Real Estate, S.A.	Full consolidation	(4)	Unaudited
Renta Corporación Real Estate E.S., S.A.U.	Vía Augusta 252-260. Barcelona (Spain)	37.075	100%	Renta Corporación Real Estate, S.A.	Full consolidation	(2)	PwC
Groupe Immobilier Renta Corporación, S.A.S.U.	26, Rue de Trémouille Paris (France)	24.236	100%	Renta Corporación Real Estate, S.A.	Full consolidation	(5)	PwC
Renta Properties (UK) Limited	74 Grafton Street London (UK)	-	100%	Renta Corporación Real Estate, S.A.	Full consolidation	(5)	PwC
Winterley Properties 3, Unlimited	74 Grafton Street London (UK)		100%	Renta Properties (UK) Limited	Full consolidation	(5)	Unaudited
Renta 1001 (UK) Limited	19 Cavendish Square London (UK)		100%	Renta Properties (UK) Limited	Full consolidation	(5)	Unaudited
RC Real Estate Deutschland GmbH	Friedrichstrasse, 58 Berlin (Germany)	19.486	100%	Renta Corporación Real Estate, S.A.	Full consolidation	(1)	PwC
Renta Corporación Luxemburgo, S.a.r.l.	12 rue Guillaume Kroll, L-1882 Luxembourg (Luxemburgo)	100	100%	Renta Corporación Real Estate, S.A.	Full consolidation	(1)	Unaudited
Tanit Corporation, S.a.r.l.	12 rue Guillaume Kroll, L-1882 Luxembourg (Luxemburgo)		100%	Renta Corporación Luxemburgo, S.a.r.l.	Full consolidation	(1)	Unaudited
Medas Corporation, S.a.r.l.	12 rue Guillaume Kroll, L-1882 Luxembourg (Luxemburgo)		100%	Renta Corporación Luxemburgo, S.a.r.l.	Full consolidation	(1)	Unaudited
Renta Corporation	1240 Avenue of the Americas New York (USA)	4.779	100%	Renta Corporación Real Estate, S.A.	Full consolidation	(5)	Unaudited
RC1, LLC	1240 Avenue of the Americas New York (USA)		100%	Renta Corporation	Full consolidation	(5)	Unaudited
RC2, LLC	1240 Avenue of the Americas New York (USA)		100%	Renta Corporation	Full consolidation	(5)	Unaudited
RCIII, LLC	1240 Avenue of the Americas New York (USA)		100%	Renta Corporation	Full consolidation	(5)	Unaudited
RCIV, LLC	1240 Avenue of the Americas New York (USA)		100%	Renta Corporation	Full consolidation	(5)	Unaudited



RENTA CORPORACIÓN REAL ESTATE, S.A.
Consolidated annual accounts for 2008
(In thousand)

RCV, LLC	1240 Avenue of the Americas New York (USA)		100%	Renta Corporation	Full consolidation	(5)	Unaudited
----------	--	--	------	-------------------	--------------------	-----	-----------

The closing date of the last annual accounts is 31 December.

Activity:

- (1) Residential business
- (2) Residential, commercial and land business
- (3) Land business
- (4) Real estate business and services
- (5) Residential and commercial

RENTA CORPORACIÓN REAL ESTATE, S.A.
Consolidated annual accounts for 2008
(In thousand)

Associates in the consolidation scope

Registered name	Registered office	Shareholding		Company holding title	Consolidation method (a)	Activity	Auditor
		Cost in thousand Euros	Cost in thousand Euros				
Masella Oeste, S.L.	Via Augusta 252-260 Barcelona (Spain)	116	40%	Renta Corporación Real Estate ES, S.A.U.	Equity accounting	(6)	Unaudited

The closing date of the last annual accounts is 31 December.

Activity:

(6) New construction development business

1. Evolution of the business and situation of the Company

2008 has been strongly marked by the financial crisis, which began in the second half of 2007 and which has spread to all sectors and markets. In this context, Renta Corporación has been especially affected by the reduction in the liquidity of its customers and the uncertainty surrounding the economic prospects for recovery.

Given this situation, the Group reacted swiftly and prepared a contingency plan to adapt to the new market situation and establish a solid basis for rebooting its normal business when the markets change cycle. This contingency plan has been mainly based on three key areas: prioritisation of liquidity over margins, strengthening of the financial structure and cost reduction.

This global environmental of a lack of liquidity and mistrust of general economic prospects has heavily conditioned the evolution of Group sales in 2008. Thus, total ordinary income has been Euros 244,133 thousand, 54% lower than last year.

As part of this contingency plan prepared by the company, we have prioritised liquidity, which has in certain cases penalised the profitability of some operations. Furthermore, the consolidated operating profit has been reduced also by Management in its wish to adjust the value of its assets to current market prices, out of prudence. Thus, the Group has closed the year with a loss of Euros 125,692 thousand against 2007 profit of Euros 55,958 thousand. This loss includes the impact of the adjustment made to inventories to write down their net realisation value to Euros 63,797 thousand, as well as the reorganisation adjustments totalling approximately Euros 4,348 thousand.

Furthermore, the Group has carried out a very selective investment policy, limiting its purchase only to those assets that are highly appealing, both in terms of their location and profitability. This selective investment policy is shown in 2008 investment figures, Euros 130,101 thousand against Euros 567,553 thousand in 2007, as well as the final figure for investment rights, significantly lower than last year (Euros 73,557 thousand against Euros 506,731 thousand at the 2007 year end).

On the other hand, also of special note has been the increase generated in financial costs. Most of the average debt together with higher interest rates explains this increase in part, as well as a lower capitalisation of interest. These costs also include the commissions which to date have been capitalised and the valuation of interest rate hedging derivatives, all of which is linked to the syndicated loan that was being renegotiated at the 2008 year end. They also include the financing costs generated by the exchange differences totalling Euros 8,320 thousand. This expense is directly linked to the irregular performance in 2008 of the Pound Sterling, especially in the last quarter of the year, when the Group made investments.

Of special note as well is the profit from the capital increases subscribed by third parties and the sale of a stake of 11.6% in an associate, Mixta Africa, totalling Euros 18,534 thousand, as part of the Group's divestment objective.

Consolidated loss for the year attributed to the equity holders has totalled Euros 111,532 thousand. Attributable profit per share, has fallen from Euros 1.42 in 2007 to Euros (4.51) per share in 2008.

The evolution of shares on the Stock Exchange in 2008 has been characterised by bearish treatment due to the real estate and financial crisis affecting the stock markets. After a 2007 close of €15.28 per share, shares began to undergo a series of downward adjustments, ending the year at € 1.84 per share.

The Company's total assets have decreased by 22% against last year. Inventories total Euros 642,687 thousand. The decrease in the inventories balance against last year has been 25%, mainly due to the 2008 sales and the decrease in investment during the year given the world economic and financial situation.

In February 2007 Renta Corporación executed its first structured financing operations through a syndicated loan of Euros 500 million with 21 lending institutions. At the year end net borrowings total Euros 641,559 thousand, decreasing by Euros 94,652 thousand against last year.

Signing a long-term debt refinancing agreement with the above-mentioned lending institutions at the date of the formulation of these annual accounts has meant that the Group has reduced its debt to 50% lower than it was as the 2008 year end, thus achieving short, medium and long-term stability.

Other accounts payable include receipts for sale commitments totalling Euros 18,062 thousand. At the date of formulation of these accounts an amount of Euros 15,000 thousand has materialised, which represents sales totalling approximately Euros 25,950 thousand.

2. Business outlook

At the 2008 year end the Company was in advanced negotiations to reach a long-term refinancing agreement of its entire debt. An agreement was reached at the date of formulation of these annual accounts. This new situation means that Renta Corporación is in a very good position, having increased its stability and balance in order to face the challenges of a difficult current environment. It will also be able to focus on transformation and sale of its current inventories and seek to generate margin, centring funds and efforts on the development of its business model.

In respect of demand and the restoration of credit to purchasers of real estate assets, the future seems somewhat uncertain, and thus it is difficult to make projections and estimates.

3. Main business risk and uncertainties

The main financial risks that affect the Group would be: exchange rate risk, interest rate risk, credit risk and liquidity risk. The Group constantly monitors these risks in order to anticipate their effects and implement the necessary corrective measures. The Board also provides global risk management policies and policies for specific areas. Additionally, the Group also has instruments and to minimise their impact.

The Group's exchange rate risk exposure arises mainly from its position in intragroup financing with its subsidiaries in London and New York, which operate in non-Euro currencies, generating exposure to exchange rate risk. In 2008 it has continued to apply risk management policy to currencies in order to minimise the negative impact of a fluctuation in exchange rates on the results of Group companies and on equity or cash flows. However, the irregular performance of these currencies, especially in the last part of the year has made it very difficult to benefit from active hedge management.

The Group has established interest rate risk control policies to cover 30% of its total borrowings with fixed rate interest in order to reduce the volatility of its financing costs. In 2008 interest rate hedges have totalled Euros 221.3 million, or 25% of its debt.

Most sales of buildings made by the Group are settled in cash at the time of the transfer of title. In the other sales of buildings, the collection of all or part of the purchase price is made after the transfer of title to the new owner. In these cases, the amount owed to the Group is guaranteed generally by means of a bank guarantee or through a reservation of title agreement or guarantees *in rem* so that the Group can recover title to the building in the event of default on the payment of the price. The Group has not in the past had difficulties in collecting on its accounts receivable from sales of this type.

Given the deterioration of the market, the Group began in the first half of 2008 to negotiate with financial institutions to reduce the liquidity squeeze.

The agreement reached by the Group for the long-term refinancing of its debt at the date of formulation of these annual accounts has reduced its exposure to credit risk.

4. Research and development

Due to the nature of the Group's activity, it does not make any investments in research and development.

5. Treasury shares

In 2008 the Company has made acquisitions and sales of 198,544 and 19,532 shares, respectively. Of the total sales, a part has been distributed to employees as part of the Incentive Plan.

The parent company at 31 December 2008 holds a total of 377,767 shares. The par value of these shares totals Euros 378 thousand.

The parent company has set up the respective reserve for treasury shares at 31 December 2008.

6. Subsequent events

On 27 February 2009 the Group reached an agreement with the financial institutions which in February 2007 extended the syndicated loan of Euros 500 million. The most relevant aspects of the agreement, on the one hand, comprises the long-term refinancing of the debt under new terms and conditions adapted to current market circumstances, and, on the other hand, the agreement on the sale of assets that will significantly lower the Company's debt. This operation, after executing all the purchase and sale commitments of assets agreed with the financial entities, will allow the Company, in a maximum period of 90 days, to reduce its debt by Euros 380 million, bringing it to an amount below half its debt at the 2008 year end.

7. Human Resources

The Renta Corporación team is notable for its level of education, professionalism and motivation. People are the real basis of value creation for Renta Corporación, and constitute the foundation for building company differentiation vis-à-vis the competition. Since its first steps as a company it has acknowledged the contribution of its professional as a critical success factor. Thus, it devotes special attention to having an effective, agile, flexible organisation in a professional work environment in terms of procedures and systems, and provides seamless access to ongoing training and knowledge, through the application of an effective human resources policy.

The staff of Renta Corporación is characterised by its youth. The average age of the team is 37 years old, with a major female presence of 73%, in relation to the total number of employees in the Group.

The company now has 102 employees, 82% of whom work in Spain (79% at the head office in Barcelona) and the remaining 18% at the branches in Paris, London Berlin and New York.

8. Environment

The Company has adopted the measures necessary for the protection and improvement of the environment and the minimisation, as the case may be, of any environmental impact, by complying with current legislation.

The nature of the activity of Renta Corporación, based on the transformation of real estate assets to generate value involves the inevitable impact on the environment. Thus, the Company has adopted a responsible attitude to its environment and fosters the renovation of buildings. The transformation also involves a notable improvement in the use of natural resources and the application of energy efficiency.

In spite of the slight environmental impact involved in these transformations, in comparison with the alternative model of demolition and new construction, all the contracts entered into by Renta Corporación include a specific environmental protection clause that must be signed by the building contractor.

Renta Corporación promotes sustainable construction in the buildings it renovates or transforms and in its own head offices.

9. Article 116 b of the Securities Exchange Act

We set out below the information required under article 116 b of the Securities Exchange Act:

- a) The share capital of the Company totals Euros twenty-five million twenty-nine thousand three hundred and one (€ 25,029,301), divided into 25,029,301 ordinary shares with a par value of Euros one (1) each, all belonging to a single class and series and numbered correlatively from 1 to 25,029,301, both inclusive. All the shares are fully subscribed and paid.
- b) In accordance with the provisions of article 13 of the Articles of Association, there are no statutory restrictions on the transferability of the shares and the economic rights deriving thereof, including preferential subscription, although there are two agreements that regulate the transfer of shares, which are set out below. On the one hand, UIASEF-Comité Español (UCE) and Fundación INTERMON-OXFAM acquired a commitment not to transfer their shares in the company for certain periods of time as from the date that the Company's shares began being traded on the stock Exchange. On the other hand, as part of the listing of the company, certain shareholders materialized in a preferential acquisition right.

RENTA CORPORACIÓN REAL ESTATE, S.A.
Consolidated Directors' Report for 2008

- c) The significant direct and indirect shareholdings in the Company at 31 December 2008 are set out in the table below:

Name	% number of shares		
	Direct	Indirect	Total
Luis Hernández de Cabanyes	1.087%	38.021%	39.108%
Fundación Privada Renta Corporación	5.010%	0.000%	5.010%
Durango Different, S.L.	3.995%	2.010%	6.005%
Blas Herrero Fernández	0%	7.927 %	7.927%

- d) The Articles of Association do not set down any restrictions on the exercising of voting rights.

- e) The only para-corporate agreement is that mentioned above in point b) of this section.

- f) The standards for appointing and replacing the members of the governing bodies re set down in articles 39 and 40 of the Articles of Association and in articles 17 to 21 of the Regulations of the Board of Directors and are in accordance with current legislation.

- g) Mr. Luis Hernández de Cabanyes (Chairman and Chief Executive Officer) has been given all the powers of the Board of Directors except those that cannot be delegated by Law and by virtue of the Articles of Association. Mr. David Vila Balta (Vice-chairman and General Manager of Operations), Mr. Juan Velayos Lluís (Chief Executive Officer), Mr. Javier Carraasco Brugada (non-voting Secretary) and Ms. Esther Giménez Arrivas (HR Director) have sufficient, economically limited powers to carry out the day-to-day corporate purposes of Renta Corporación.

Furthermore, the Ordinary General Meeting of Shareholders of 25 April 2008 empowers the Board of Directors to:

- a) Acquire treasury shares and/or part of those of its subsidiaries under the terms set down by law, and voiding, in the amount not used, the authorisation granted by the General Meeting of 29 March 2009, and
- b) within a maximum period of five years, and when deemed suitable, increase share capital to one half of current share capital, in one or several increases, and when and in the amount considered necessary, with the power to exclude preferred subscription rights, rewording article 5 of the Articles of Association and voiding the authorisation granted by the General Meeting of Shareholders of 29 March 2007

RENTA CORPORACIÓN REAL ESTATE, S.A.
Consolidated Directors' Report for 2008

- c) issue bonds, debentures and other simple, fixed income securities that can be swapped and/or converted into shares, warrants, promissory notes and preferred participations with the faculty to exclude preferred subscription right, and authorisation for the Company to guarantee issues of fixed income securities made by subsidiary companies.
- d) Section h) of article 116 b of the Stock Exchange Act does not apply since no contracts of these characteristics have been entered into.
- e) The contract with the Chief Executive Officer contains a clause providing him with an indemnity equivalent to 45-days salary per year of service with a minimum of six monthly pays calculated on the basis of fixed salary received at the time of termination and using the average of the last two years of his variable remuneration.
